56603-2-4

STATE OF OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the year ending June 30, 1988

Neil Goldschmidt
Governor of Oregon

Fred D. Miller, Director
Executive Department

Joseph S. Christian
Administrator
Accounting Division

Report Prepared by:

Executive Department Accounting Division

- **Kevin M. Nordhill, C.P.A.**
  David L. Salsbery, C.P.A.
  Michael Quint, C.P.A.
  Lorraine Miller
  Mary Westerfield
  Julie Hittle
  Gertie Hogan
  Colleen Johansen
  Veronica Studer

Special appreciation is given to all fiscal personnel throughout the State whose extra effort to contribute accurate, timely financial data for their agency helped make this report possible.

CONTENTS

Page

Introductory Section

Letter of Transmittal 1
Organization of State Government 5
State Program Areas 8
State Budgetary Process 9

Financial Section

Accountant's Report 15

General Purpose Financial Statements

Combined Balance Sheet — All Fund Types and Account Groups 18
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity — All Governmental Fund Types and Expendable Trust Funds 20
Combined Statement of Revenues, Expenses and Changes in Fund Equity — All Proprietary Fund Types and Similar Trust Funds 22
Combined Statement of Changes in Financial Position — All Proprietary Fund Types and Similar Trust Funds 24
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity — All College and University Funds 26
Combined Statement of Revenues, Expenditures, and Changes in Fund Equity — Budget (Non-GAAP Basis) and Actual — All Fund Types 28
Notes to Financial Statements 34

Combining and Individual Fund and Account Group Statements and Schedules

Combining Statements — Governmental Fund Types

General Fund 60
Special Revenue Funds 66
Debt Service Funds 72
Capital Project Funds 78

Combining Statements — Proprietary Fund Types

Enterprise Funds 84
Internal Service Funds 92

Combining Statements — Fiduciary Fund Types

Trust and Agency Funds 100

Combining Statements — College and University Funds 108

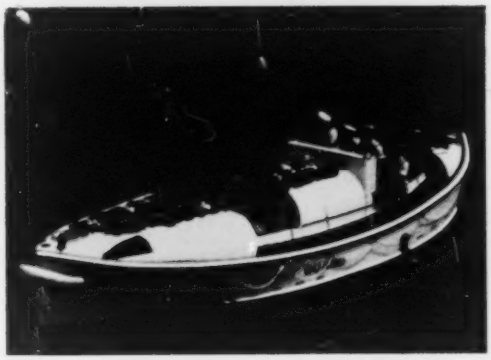
Schedule of General Fixed Assets 114

Schedule of General Long-Term Debt 116

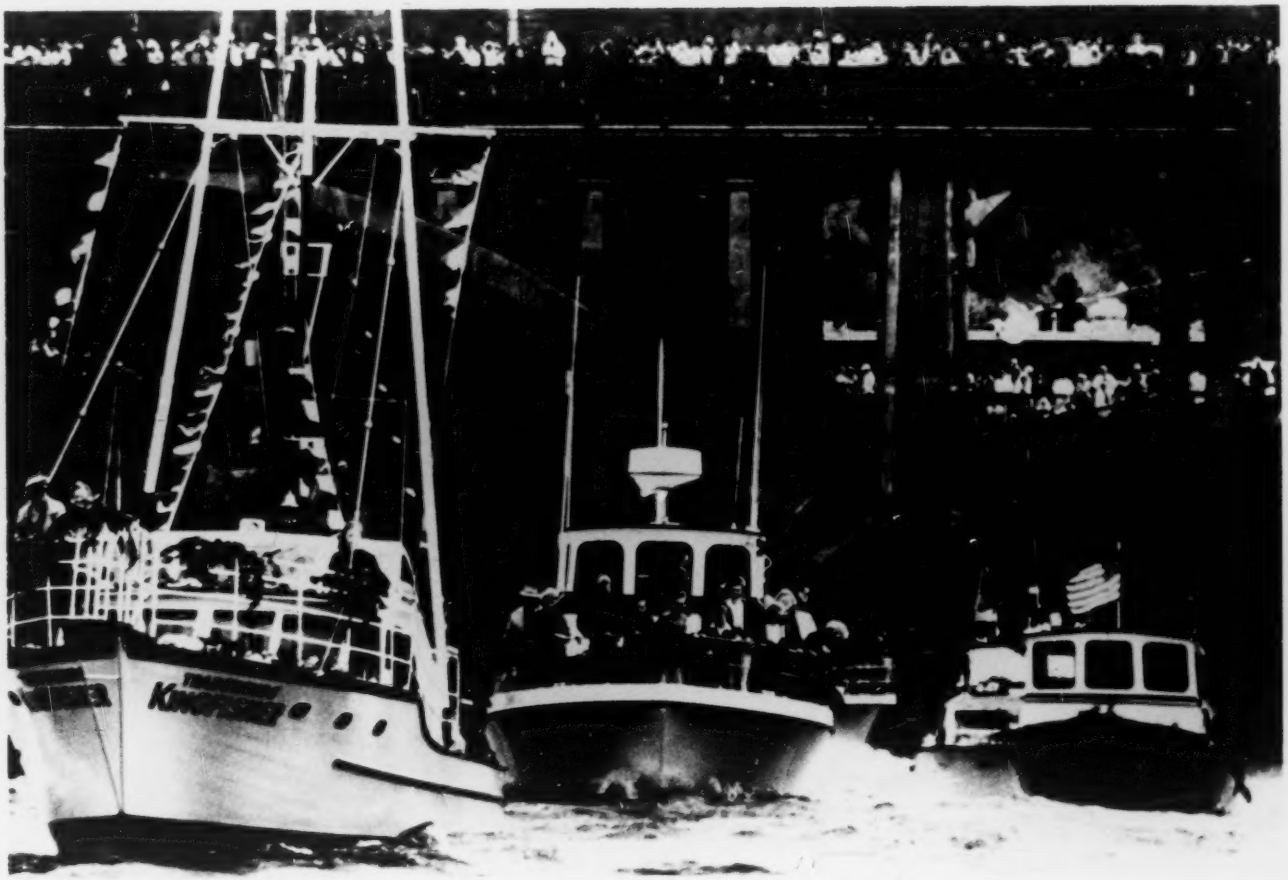
Statistical Section

Redistributions of Revenue 119
Historical Statement of Budgetary Revenues 120
Historical Statement of Budgetary Expenditures 121
Analysis of Bonded Debt 123
The State's Economy 130

This page intentionally left blank



INTRODUCTION



The Fleet of Flowers of Depoe Bay, Oregon, is an annual ceremony held on Memorial Day to commemorate those lives lost at sea, and for those who have chosen the Pacific Ocean as a final resting place. From the world's smallest harbor, laden with floral wreaths, commercial and charter fishing boats along with private sport boats form a solemn procession out onto the Pacific Ocean. They are led by the United States Coast Guard vessels. The Fleet of Flowers memorial service has both military and civilian participation and is indeed a most unique service.

Photos Courtesy of
Fleet of Flowers

LETTER OF TRANSMITTAL

NEIL GOLDSCHMIDT
GOVERNOR

Executive Department

155 COTTAGE STREET N.E. SALEM, OREGON 97310-0310

Honorable Neil Goldschmidt
Governor of Oregon
State Capitol
Salem, Oregon 97310

In accordance with ORS 291.040, I am pleased to transmit the Comprehensive Annual Financial Report of the State of Oregon for the fiscal year ended June 30, 1988.

This report includes financial statements prepared in accordance with generally accepted accounting principles (GAAP). The State Accounting Manual incorporates generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board and the Financial Accounting Standards Board.

The Reporting Entity

The Comprehensive Annual Financial Report includes all state agencies, universities, commissions and boards for which elected state officials have oversight responsibility.

Economic Conditions and Outlook

Oregon outperformed the U.S. during 1988 in employment growth. Oregon's job growth in 1989 and 1990, although lower than 1988, should also exceed the U.S. rate. Thereafter, Oregon should perform close to the national average.

Overall, Oregon total nonagricultural employment is projected to expand by 3.6 percent in 1989, 1.4 percent in 1990, and 1.6 percent in 1991. Slower job growth occurs due to a slowing national economy.

Oregon is benefiting from increased international trade, rapid growth in services and retail and wholesale trade, improved markets for machinery, higher farm prices, and a construction boom. Also, while demand for wood products is high, tight timber supplies will result in job losses.

Accounting System and Budgetary Control

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Taxpayer assessed taxes are considered "measurable" when the revenue is in the hands of intermediary collecting agents.

Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. An exception to this general rule of expenditure recognition is that principal and interest on general long-term debt is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

The modified accrual basis of accounting has been used for expendable trust funds and agency funds. The pension trust funds and nonexpendable trust funds use the accrual basis of accounting.

Each agency is delegated the responsibility for maintaining its own accounting system. There are various data processing systems throughout the state. The largest, used by approximately one hundred agencies, is the Executive Department Accounting System. The next largest, the Department of Higher Education system, is used by eighteen agencies, including the state universities.

The Executive Department maintains control over expenditures by allotment within appropriations and expenditure limitations established by legislative action. The Executive Department is required to make allotments of appropriations and expenditure limitations to ensure that each agency operates within its legislatively approved allowance and to promote more economic and efficient management of state agencies.

The Department approves spending limits for each quarter of the biennium. Agencies' expenditures are monitored daily against approved budgets, quarterly allotments, and cash balances.

At the end of the biennium with few exceptions, goods and services must be received by June 30 in order to be charged against the current biennium. On December 31 of each odd-numbered year, appropriations revert and expenditure limitations are cancelled.

General Government Functions

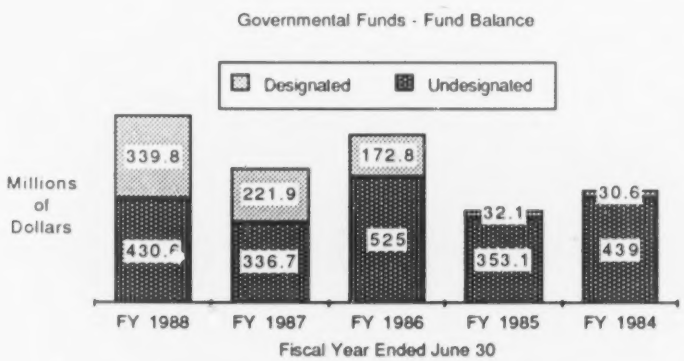
General governmental activities are accounted for in four governmental fund types: General, Special Revenue, Debt Service, and Capital Projects Funds. General Fund revenues may be appropriated for any public purpose. Once available, General Fund revenues are allocated to the various purposes.

An increased appropriation for one agency or program may require a reduction in the appropriation for some other area or program. Therefore, each significant budgetary decision regarding the priority of a particular program may require collateral adjustment of some other program.

Most Other Funds revenues are either continuously appropriated to certain agencies or are dedicated by laws to the support of specific programs. Since Other Funds may not be shifted between major programs, interagency and interprogram competition for funds is limited. Thus, budgetary review is confined largely to examination of priorities and alternatives within each program element.

The bar graph below illustrates the aggregate fund balances of governmental funds at the end of each fiscal year since June 30, 1984. Portions of the Undesignated Fund Balance are restricted for use within Constitutionally Dedicated Funds.

Governmental Funds-Fund Balance - Highlighting the Undesignated Fund Balance



The schedule below presents governmental fund revenues for the fiscal year ended June 30, 1988, with comparisons to prior year data.

Governmental Fund Revenue
For Fiscal Years Ended June 30, 1988, and 1987
(Dollars in Millions)

Revenue	FY 1988	% of FY 1988 Total	FY 1987	Increase (Decrease) from Prior Year	% of Increase (Decrease)
Income Tax	$1,641	43.6	$1,366	$275	70.4
Sales and Use Tax	390	10.4	352	38	9.7
Other Taxes	207	5.5	236	(29)	(7.4)
Federal Revenue	1,078	28.6	1,045	33	8.4
Other Revenues	447	11.9	373	74	18.9
Revenue	$3,763	100.0	$3,372	$391	100.0

Governmental fund expenditures by function for fiscal year ended June 30, 1988, with comparison to the prior year are presented below.

Governmental Fund Expenditures by Function
(Dollars in Millions)

Expenditures	FY 1988	% of FY 1988 Total	FY 1987	Increase (Decrease) from Prior Year	% of Increase (Decrease)
Economic Development	$ 238	7.2	$ 203	$ 35	26.7
Education	748	22.6	714	34	26.0
Human Resources	1,073	32.4	957	116	88.5
Natural Resources	152	4.6	119	33	25.2
Public Safety	82	2.5	75	7	5.3
Transportation	554	16.8	564	(10)	(7.6)
Admin. and Support	310	9.4	409	(99)	(75.6)
Legislative	13	0.4	17	(4)	(3.1)
Judicial	94	2.8	83	11	8.4
Debt Service	28	0.8	25	3	2.3
Capital Construction	15	0.5	10	5	3.9
Total Expenditures	$3,307	100.0	$3,176	$131	100.0

Proprietary Operations

The largest proprietary operation in the State is the Department of Veterans' Affairs, which makes home mortgage loans to qualified veterans. The Department had a net income before extraordinary items approximating $8 million in fiscal year 1987-88. It also had an extraordinary gain of $68 million relating to inappropriate transfers made to the State General Fund in prior decades.

Debt Administration

To provide for the efficient coordination of bond issuance by the various state agencies, Oregon Revised Statutes give the State Treasurer authority to review and approve many of the terms and conditions of sale. By centralizing this authority, the bond issuing agencies are encouraged to plan their offerings well in advance and work together to obtain the most favorable market reception.

In addition, the uniform approach permits greater control of the state's overall debt position, allowing the Treasurer to address the interests and concerns of the financial community and rating agencies as well as those of the state agencies.

Cash Management

The Oregon Revised Statutes provide for a system of checks and balances. Under the Statutes, the Executive Department supervises state agency accounting in consultation with the Secretary of State and State Treasurer, prescribes rules and regulations for preparation of agency budgets, and makes and supervises allotments. The Secretary of State, as auditor of public accounts, may disapprove claims for payment from any moneys in the State Treasury.

All state moneys collected by state agencies are turned over to the State Treasurer, who is responsible for control of the cash and investment of state funds.

The State Treasurer pools all available cash into a general account called the Oregon Short-Term Fund from which investments are made in a variety of instruments. The average yield on these investments for fiscal year ended June 30, 1988, was 7.1%. The State Treasurer also makes separate investments for a variety of funds.

Risk Management

The Department of General Services provides property and tort insurance for all state agencies. It is responsible for the status of the Insurance Fund, the self-insurance programs, and for the administration, investigation, and settlement of claims against those funds. The Legislature has determined that the Insurance Fund is to operate on an actuarially sound basis.

Other Relevant Information

The Secretary of State, as State Auditor, audits the accounts and financial affairs of each state agency not less often than once each three-year period under ORS 297.210. An audit is also required at any time the executive head of an institution or department retires.

A copy of the report on each audit is submitted to the Governor, the Legislative Fiscal Officer and the Executive Department. The report lists deficiencies in the financial statements, accounting records, or internal control procedures, most of which require corrective action by the agency.

The State of Oregon implemented the Single Audit for the fiscal year ended June 30, 1984. The Single Audit encompasses all federal assistance received by the state.

The Single Audit is a financial and compliance audit, as defined in Standards for Audit of Governmental Organizations, Programs, Activities and Functions, promulgated by the Comptroller General of the United States (GAO Audit Standards).

Acknowledgments

I wish to express my sincere appreciation to the many individuals whose dedicated efforts made this report possible. The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Accounting Division.

I also thank all the state agencies for their interest and support in planning and conducting the financial operations of Oregon in a professionally responsible and progressive manner.

Fred Miller

Fred D. Miller
Director

FDM:gj

ORGANIZATION OF STATE GOVERNMENT

General Organization

The government of the State of Oregon is comprised of three separate branches: Executive, Legislative, and Judicial. The Executive Branch which administers state agencies and enforces state laws, is headed by six independently elected officials. These are the Governor, Secretary of State, State Treasurer, Attorney General, Labor Commissioner, and Superintendent of Public Instruction.

The Governor, Secretary of State, and State Treasurer, in addition to performing their individual duties, jointly form the Land Board. The three members of the Board have equal responsibilities and the Governor serves as chairperson.

The Attorney General, Superintendent of Public Instruction, and Labor Commissioner are elected to carry out the particular duties of their respective divisions.

The Executive Branch

The Governor is elected to a four-year term and is limited to serving two terms in any twelve-year period. The present Governor, Neil Goldschmidt, assumed office on January 12, 1987. Responsibilities of the Governor, in addition to chairing the Land Board, include planning and recommending a budget to the State Legislature, coordinating activities of state agencies, initiating future state activities, and coordinating services of federal and local governments.

The Governor is empowered to call special sessions of the Legislature and may veto single appropriation items or emergency clauses on legislative bills. He appoints numerous agency heads, board and commission members, and other officials.

The Secretary of State is the auditor of public accounts in the state and is chief elections officer. As auditor, the Secretary of State conducts audits of municipal corporations and audits the accounts and financial affairs of state boards, commissions, departments, and institutions. The Secretary of State also edits, codifies, and publishes Administrative Rules, which supplement laws passed by the Legislature and prescribe the manner in which state agencies conduct their business.

The State Treasurer is responsible for all moneys paid into the State Treasury and, as the State's Investment Officer, invests trust and general funds. The Treasurer also receives and disburses state funds, has custody of securities deposited with the state, and oversees the issuing, paying of interest, and retiring of bonds. The Treasurer is a member of the Oregon Investment Council, the State Land Board, the Local Government Investment Board, the Municipal Debt Advisory Commission, the Public Contract Review Board, and the Oregon Mass Transportation Financing Authority.

The State Land Board was created by the 1967 Legislature to supervise administration of state-owned lands and public rights in submerged and submersible lands. Proceeds from the use of these lands are deposited as principal in the Common School Trust Fund. Interest from the Fund is paid to counties for school operation.

The Legislative Branch

Oregon's Legislative Branch is comprised of a bicameral legislative assembly and its permanent and temporary legislative committees. The Senate has thirty members elected to four-year terms with half elected every two years. The House of Representatives has sixty members, all elected every two years.

The Legislature convenes its regular session in January of each odd-numbered year. The current session began January 12, 1987. Session length is not prescribed by the Constitution, but it is usually of about six months' duration. The Legislature normally considers between 2,500 and 3,000 bills during a regular session and approximately 25 to 30 percent of these are enacted into law.

Special sessions of the Legislature may be called by the Governor or by a majority of each house to deal with emergency situations. Since 1970, the Legislature has held eleven special sessions which have lasted between one and 37 days. The Legislature has never exercised its right to call itself into special session.

The primary function of the Legislature is to enact laws, to provide a forum for public discussion, and to determine fiscal policy together with the Executive branch. Certain Executive decisions are subject to confirmation by the Legislature. In addition, since 1977, Oregon has had a "sunset" law under which certain agencies and programs are terminated unless their continuation is specifically approved by the Legislature.

The Oregon Constitution, Article IX, Section 6, provides that the state may not budget expenditures in excess of revenues. Therefore, the Legislative and Executive branches must provide a balanced budget. The Legislature reviews and revises the Governor's recommended budget and passes appropriation measures to provide revenues. Because the Legislature convenes biennially, the finances of the state are

managed on a biennial basis. However, state law now requires that the Executive Department prepare a financial report of state operations at the end of each fiscal year. The first such report was prepared as of June 30, 1979.

Of significant importance in the Legislative branch is the Emergency Board, a joint legislative committee created by statute. The seventeen-member Emergency Board consists of the President of the Senate, Speaker of the House of Representatives, Co-Chairpersons of the Joint Ways and Means Committee, six other Senate members and seven other House members. The Emergency Board, which may schedule its own meetings, usually meets once each month during the interim between regular sessions.

Where an emergency exists, the Emergency Board may allocate to any state agency out of funds appropriated to the Board for that purpose, moneys in addition to those allocated by the Legislature. The Board may take other actions to meet emergency interim needs such as providing funding for an activity required by law, authorizing expenditures from dedicated or continuously appropriated funds, and approving funding for a new activity coming into existence at a time which would preclude submitting of a budget to the Legislature.

In addition, the Legislature has a variety of statutory and interim committees that function throughout the biennium. Principal statutory committees include: Legislative Counsel Committee, Legislative Administration Committee, Land Use Committee, Data Processing Committee, Senate Executive Appointment Committee, Joint Committee on Water Policy and Trade and Economic Development. The major interim committees are the Joint Interim Revenue Committee, Joint Interim Judiciary Committee, Joint Interim Committee on Sunset Review, House Interim Committees, and Senate Interim Task Forces.

The Judicial Branch

The Judicial Branch consists of the Supreme Court, the Court of Appeals, the Tax Court, and Circuit and District Courts. The seven-justice Supreme Court was created and its jurisdiction defined by the Constitution. The Supreme Court has discretionary review of decisions of the Court of Appeals.

A five-judge Court of Appeals was created by the Legislature in 1969, expanded to six judges in 1973 and expanded to ten judges in 1977. The Court of Appeals has exclusive jurisdiction over all civil and criminal appeals from circuit and district courts and review of orders of state administrative agencies, Department of Corrections disciplinary actions, and Board of Parole orders.

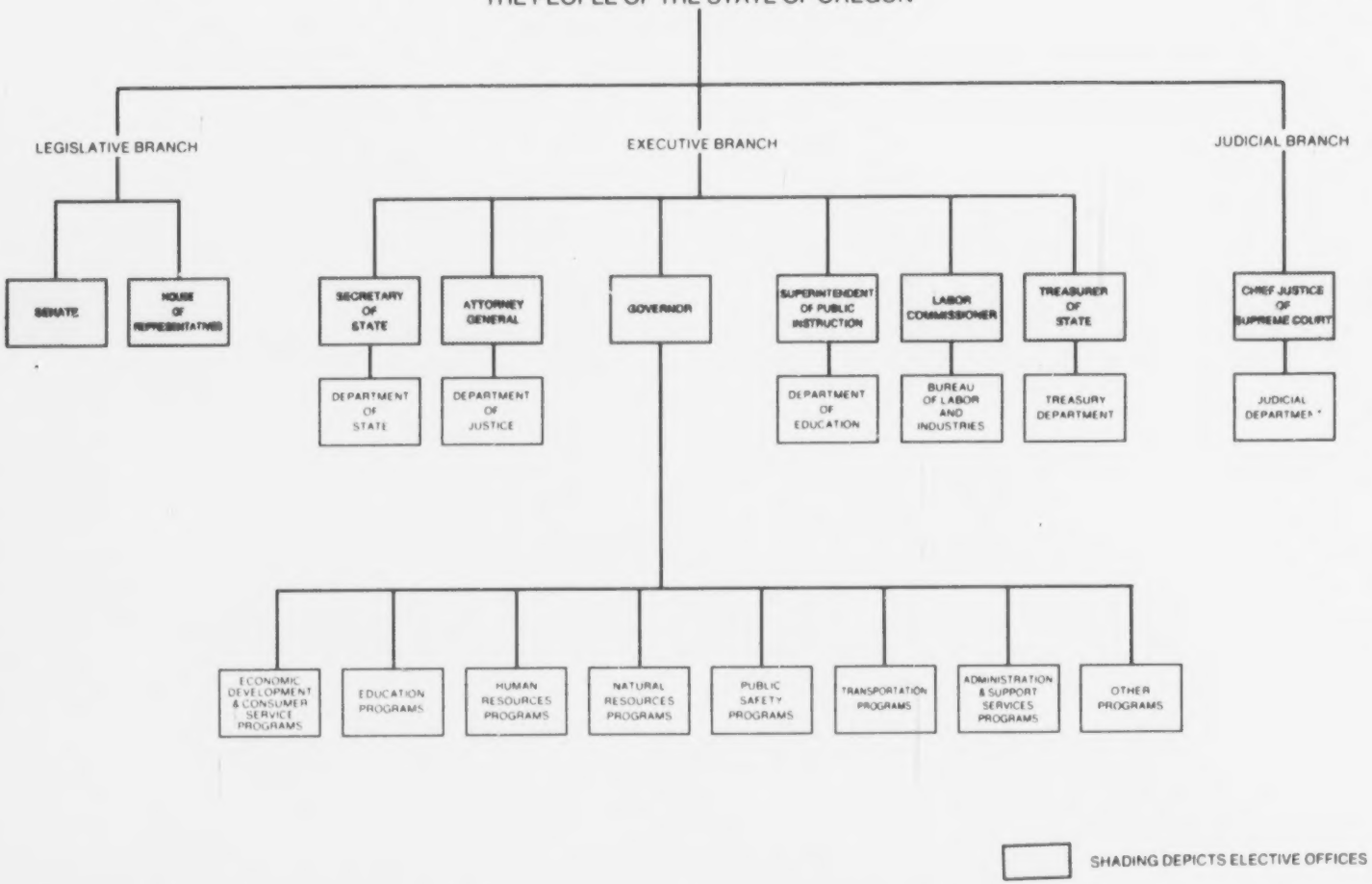
The one-judge Tax Court, created by the 1961 Legislature, has exclusive jurisdiction over tax-related matters. The Circuit Court is the state trial court of general jurisdiction, and the District Court is the trial court of limited jurisdiction.

All judges are elected to six-year terms on a nonpartisan ballot. The Chief Justice exercises administrative authority over the courts of Oregon.

Exhibit 1 summarizes the organization of state government in Oregon.

EXHIBIT 1

STATE OF OREGON
ORGANIZATION OF GOVERNMENT



The Superintendent of Public Instruction reports to the State Board of Education, appointed by the Governor.
Source: State of Oregon, Executive Department, Budget and Management Division.

STATE PROGRAM AREAS

Economic Development and Consumer Services

The rapid expansion of the Oregon economy since 1970 has resulted in increasing demands for a wide variety of public services related to consumer protection, business regulation and public safety in the commercial sector. These demands have been met through more effective operation of existing programs and through the consolidation of overlapping activities wherever possible. The common elements of the many State agencies in this program are the safety and protection of the Oregon public as consumers and producers, as employes and employers, and as savers and investors. In the area of economic development, a variety of local economic stimulation projects are intended to provide more job opportunities for Oregonians and to generally stimulate Oregon's economy. The Oregon Department of Economic Development is overseen by the Economic Development Commission and is active in international trade, port activities, industrial development incentive programs, and small business assistance.

Education and School Financing

The education program area includes the Department of Education, the Department of Higher Education, and educational support agencies. The Department of Education, acting under the direction of the State Board of Education, exercises all administrative functions of the State relating to supervision, management and control of public, elementary and secondary schools and community colleges. The Department of Higher Education provides direct educational services through the State colleges and universities. The activities of both Departments are coordinated by the Office of Educational Policy and Planning.

The Legislature appropriates funds to be distributed to local school districts in support of basic educational programs. The Legislature appropriated $880 million for Basic School Support for the 1983-85 biennium, $945 million for the 1985-87 biennium, and $1,024 million for the 1987-89 biennium.

Human Resources

Human resource agencies offer a variety of social services. Services offered include financial support to needy persons, medical care, protective services, and rehabilitation. Expenditures in these program areas continue to represent approximately 28% of the General Fund budget and 23% of the total state budget.

Natural Resources

The overall goal of the thirteen agencies in this program area is to conserve, develop, and protect the State's natural resources.

Public Safety

The overall goal for the public safety program area is a reduction in the amount of harm to individuals and damage to property caused by events of natural disasters, civil disorders, traffic accidents, criminal activities, and armed conflict. Other major objectives include improvement of criminal prosecution and consumer protection from fraudulent business practices.

Transportation

The transportation program area consists of the Department of Transportation, the Traffic Safety Commission, and the Travel Information Council. The basic goal of the Department of Transportation is to provide the State with systems of transportation which are safe, are environmentally compatible and provide for orderly economic growth. The objective of the Traffic Safety Commission is to promote traffic safety in Oregon through the use of Federal grants to State agencies and local governments. The Travel Information Council develops and maintains a Motorist Information and Sign Plaza Program and promulgates regulations to control on-premise signs and signs in unzoned commercial and industrial areas. Part of its functions were transferred to the Economic Development Department as a result of 1983 legislation.

Administration and Support Services

This program area includes those agencies which provide either executive leadership or administrative and planning support services to line agencies. The state's tax relief programs are included within this program area because they are administered by the Department of Revenue.

Legislative Branch

The Legislative Branch is comprised of the Legislative Assembly and the permanent and temporary legislative committees. The bicameral ninety member Oregon Legislative Assembly convenes in odd-numbered years in regular legislative session. Permanent statutorily established legislative committees provide special staff services to the Legislature. The Legislative Branch also includes the Emergency Board.

Judicial Branch

The judicial program area is comprised of the state supported portion of the Judicial Branch of government to ensure an effective judicial system for the State. On October 24, 1981 a special session of the Legislature was called to provide financing necessary for the state to assume greater responsibility over the administration of district and circuit courts.

STATE BUDGETARY PROCESS

The Oregon budget is approved on a biennial basis by separate appropriation measures. Although the Governor recommends a budget, no omnibus budget measure is approved. Biennia begin July 1 and end June 30 of odd-numbered years. Measures are passed for the approaching biennium during each regular Legislative session, held beginning in January of odd-numbered years. However, the budgeting process begins several months prior to the beginning of a biennium.

The budgeting process begins with the development of a tentative budget as an internal document in the Executive Department. The early budget forecasts three levels of expenditures based upon current law and three levels of expenditure based upon passage of pending ballot measures. Expenditure estimates are based on a range from maintaining present spending to providing for growth of existing programs or expanding programs, all adjusted for inflation. Revenues in the internal budget are also forecast in a range. Oregon law (ORS 291.208) requires each agency to submit budget requests to the Executive Department prior to September 1 of each even-numbered year. During the fall, these budget requests are reviewed and budget hearings are held by the Executive Department and the Governor.

The Governor's budget recommendations to the Legislature must be completed by early November in order to meet the December 1 statutory deadline for distribution of printed copies to the Legislature. Appropriation bills for each agency are prepared separately and filed during December so that when the Legislature convenes in January the Joint Ways and Means Committee can begin consideration of each bill.

Serving as staff to the Ways and Means Committee, the Legislative Fiscal Office analyzes each budget. Public hearings are held by Ways and Means subcommittees before the recommended budget bills are referred to the full Legislature for a final vote.

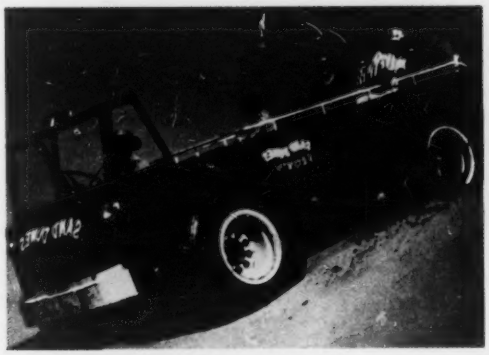
The Governor may veto any bill, but may not veto particular line items, except in appropriation bills. The Governor's veto may be overridden by a two-thirds vote of the Legislature.

Because the Oregon Legislature meets in regular session for approximately six months of each biennium, provision is made for interim funding through the Legislative Emergency Board. The Emergency Board is authorized to make allocations of General Fund moneys to state agencies from the State Emergency Fund. The Emergency Board may also authorize increases in expenditure limitations from Other or Federal Funds, (dedicated or continuously appropriated funds) and may take other actions to meet emergency needs when the Legislature is not in session.

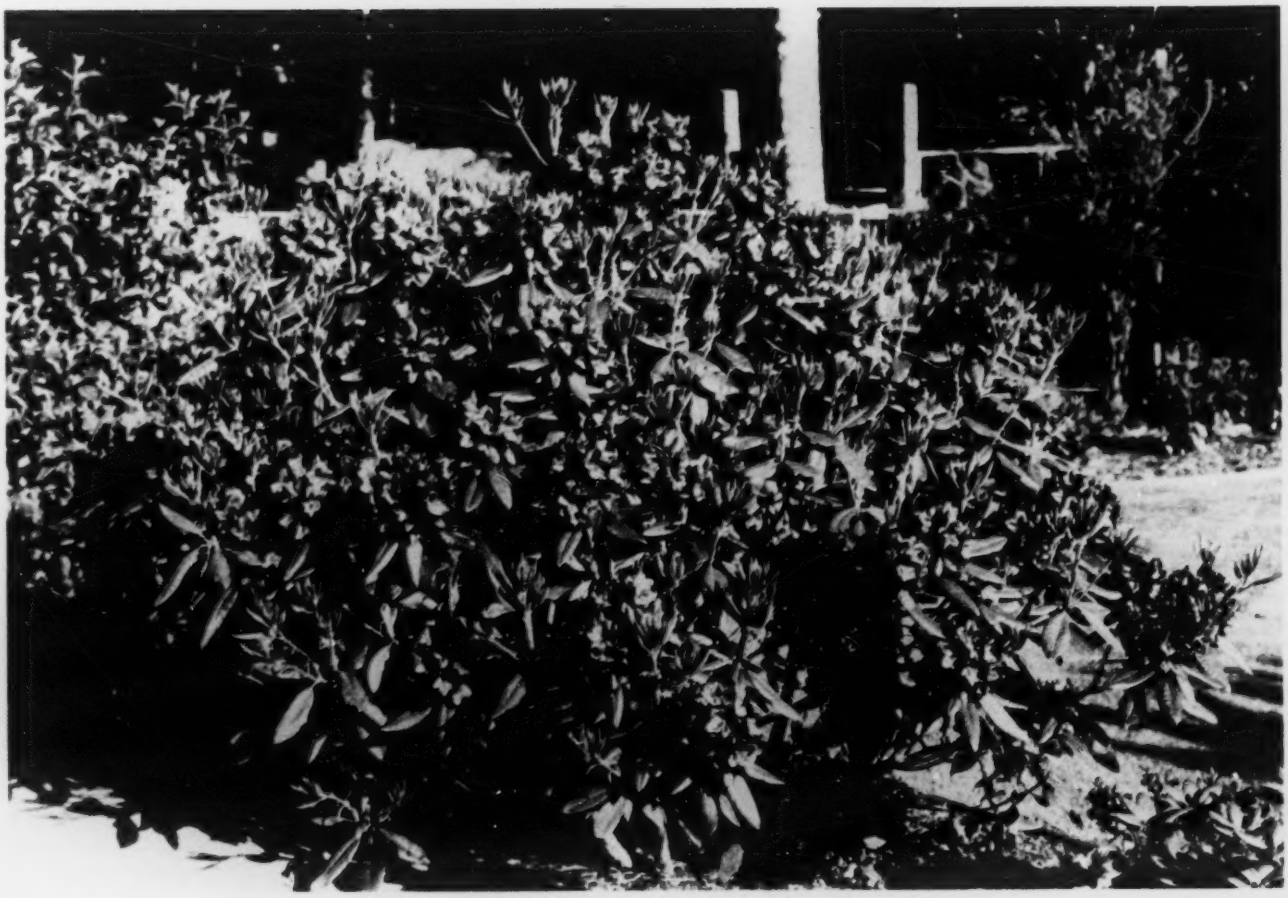
The most significant feature of the budgeting process in Oregon is the constitutional requirement that the budget be in balance at the end of each biennium. Article IX, Section 6 of the Oregon Constitution states that "whenever the expenses, of any fiscal year, shall exceed the income, the Legislative Assembly shall provide for levying a tax, for the ensuing fiscal year, sufficient, with other sources of income, to pay the deficiency, as well as the estimated expense of the ensuing fiscal year." Because of this provision, Oregon may not budget a deficit and is required to alleviate any revenue shortfalls within each biennium.

The biennial budget used in Oregon makes it more difficult to accurately forecast revenues and expenditures than in an annual budget cycle. At the same time, a biennial period allows more time for correction in the event a revenue shortfall occurs.

This page intentionally left blank



FINANCIAL SECTION



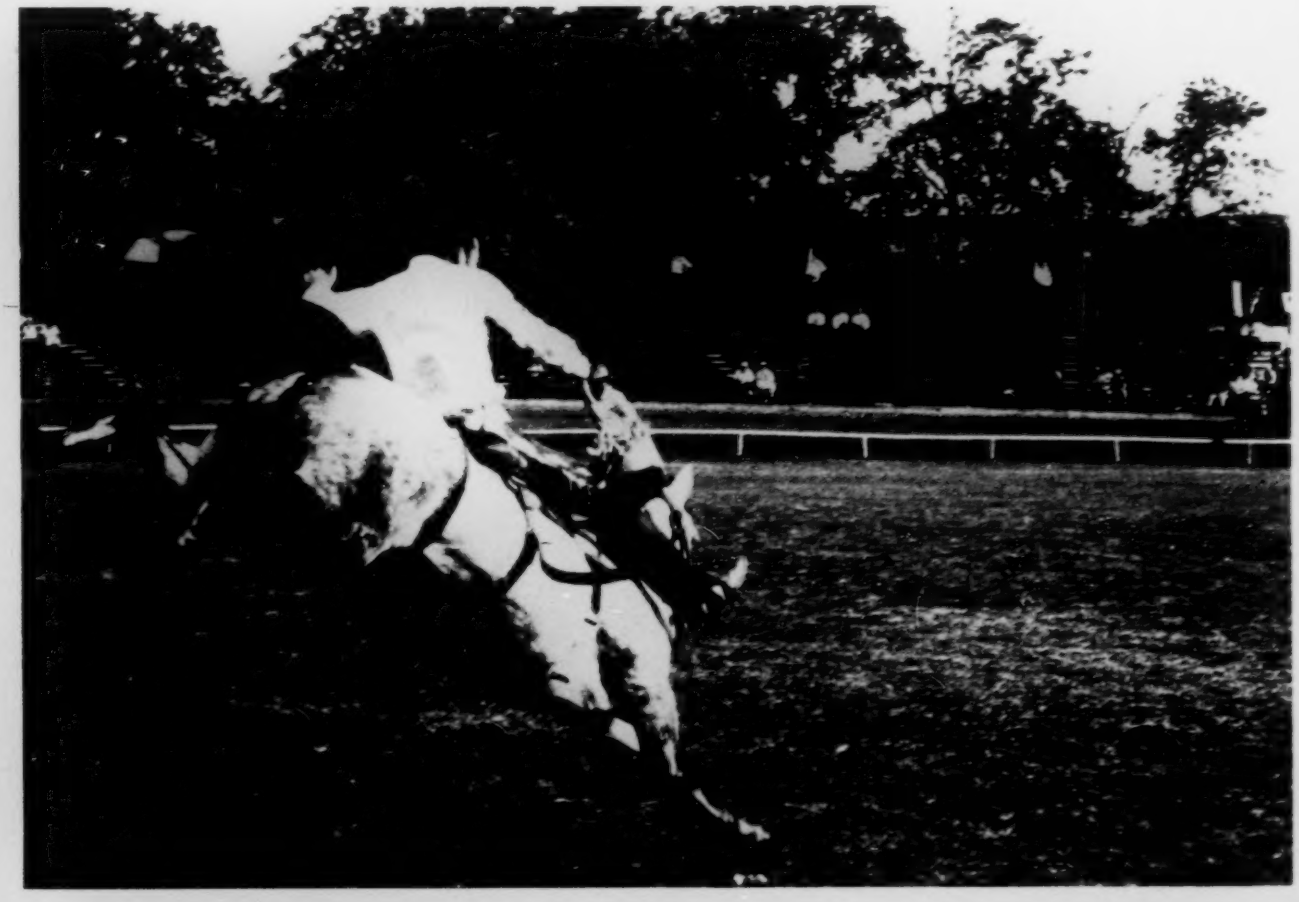
In May, the quiet town of Florence comes alive with activity. The reason - The Florence Rhododendron Festival. Homes and businesses are decorated, while plans for a host of events are finalized. For four days the population swells from 4,500 to 20,000 or more.

This year marked the 81st for the festival, one of the oldest in the state. With the exception of a few years, this tradition has been part of Florence history since 1908 (one year before the first Portland Rose Festival).

The festival is more than just fun and games. It is a time when public-spirited Florentines extend an open invitation to one and all to enjoy the splendor of spring in the heart of a scenic and recreational paradise.

Photos Courtesy of
Florence Area Chamber of Commerce

GENERAL PURPOSE FINANCIAL STATEMENTS



The first Pendleton Round-Up was held in 1910.

The program is simple. It starts with a Westward Ho Parade on Friday morning, followed through with saddle bronc, bullriding, steer wrestling, bareback, calf roping, steer roping and team roping and Happy Canyon in the evening. The high point cowboy receives an additional paycheck along with an outstanding trophy buckle. This special presentation is made during the Saturday (final) performance.

The Round-Up attracts 40 to 50 thousand excited spectators plus millions of "Wide World of Sports" viewers across the nation.

Photos Courtesy of
Economic Development Department

ACCOUNTANT'S REPORT

OFFICE OF THE SECRETARY OF STATE

BARBARA ROBERTS
SECRETARY OF STATE

AUDITS DIVISION
WILLIAM L. MILES
DIRECTOR
158 - 12TH STREET N.E.
SALEM, OREGON 97310
(503) 378-3329

INDEPENDENT AUDITOR'S REPORT

Honorable Neil Goldschmidt
Governor of Oregon
State Capitol
Salem, Oregon 97310

We have audited the general purpose financial statements of the State of Oregon, as of and for the year ended June 30, 1988, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the State of Oregon, Executive Department. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The records of the Department of Transportation, Highway Division, do not provide an adequate accounting for the $23,233,000 prior period adjustment to the Special Revenue Funds, disclosed in Note A.13.d. We were, therefore, unable to examine sufficient evidence in support of the adjustment and we were unable to satisfy ourselves by other means as to its accuracy.

In our opinion, except for the effect of the adjustment, if any, as might have been determined to be necessary had we been able to examine evidence regarding the matter discussed in the preceding paragraph related to the Special Revenue Funds, the general purpose financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the State of Oregon at June 30, 1988, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds for the year then ended, in conformity with generally accepted accounting principles.

As discussed in Note A.12., SAIF Corporation, included in Enterprise Funds, has changed its method of valuing the Claim Loss Liability for the year ended June 30, 1988.

Our audit was made solely for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State of Oregon. This information has not been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, accordingly, we do not express any opinion with regard to its relationship to the general purpose financial statements taken as a whole. However, we noted that the combining budget comparison statements present information by fund type, rather than by individual fund, as required by generally accepted accounting principles for comprehensive annual financial reports. In addition, the Combining Statement of Changes in Assets and Liabilities - All Agency Funds is presented on a combined basis rather than a functional basis which is the presentation method used for all other combining statements.

The other data included in this report, designated as the introductory section and the statistical section in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.

Barbara Roberts
Secretary of State
and
Auditor of Public Accounts

William L. Miles
Certified Public Accountant
and Director
Division of Audits

November 28, 1988 except for Note R.8. as to which the date is March 27, 1989; Note R.9. as to which the date is May 10, 1989; and Note S.1.h. as to which the date is May 25, 1989.

This page intentionally left blank

STATE OF OREGON
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1988

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			
ASSETS	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Cash and Investments	$120,521	$475,183	$106,180	$ 247
Cash and Securities Held in Trust	-	5,549	-	-
Receivables	19,196	205,250	3,205	221
Interfund Receivables	98,334	54,674	248	1,536
Taxes Receivable	135,398	-	-	-
Inventories	11,671	32,738	-	-
Prepaid Expenses and Deferred Charges	37	51	-	-
Contracts, Mortgages, and Notes Receivable (Net)	-	118,718	4,850	38
Advances to Other Funds	56,229	658	-	-
Foreclosed and Deeded Property	-	-	-	-
Restricted Assets - Cash and Investments	-	-	-	-
Fixed Assets	-	-	-	-
Amounts Available for Retirement of L-T Debt	-	-	-	-
Amounts To be Provided for Retirement of L-T Obligations	-	-	-	-
Total Assets	$441,386	$892,821	$114,483	$ 2,042
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts and Interest Payable	$159,161	$121,334	$ 258	$ 1,578
Interfund Payables	53,669	72,273	-	212
Due to Other Governments	4,502	57,400	-	-
Matured Bonds and Coupons Payable	-	-	479	-
Trust and Agency Funds Payable	-	11,300	-	-
Deferred Compensation Payable	-	-	-	-
Contract, Mortgages, and Notes Payable	-	-	-	-
Obligations Under Capital Lease	-	-	-	-
Advances from Other Funds	13,413	51,215	106	-
Bonds Payable	-	-	-	-
Deferred Income	78,355	45,844	-	-
Vacation Payable	4,016	5,212	-	-
Claim Loss Liability	-	-	-	-
Total Liabilities	$313,116	$364,578	$ 843	$ 1,790
Fund Equity				
Investment in Fixed Assets/Plant	$ -	$ -	$ -	$ -
Contributed Capital	-	-	-	-
Unrealized Gain on Investments	-	-	-	-
Retained Earnings - Unreserved	-	-	-	-
Reserved for Encumbrances	30,195	4,094	-	-
Reserved for Inventories	11,671	32,738	-	-
Reserved for Revolving Accounts	-	1,210	-	-
Reserved for Loans Receivable	-	89,248	4,850	38
Reserved for Advances to Other Funds	56,229	658	-	-
Reserved for Debt Service	-	-	108,790	-
Reserved - Other	38	45	-	-
Reserved for Public Employes Retirement System	-	-	-	-
Reserved for Trust Fund Principal	-	-	-	-
Fund Balances - Reserved	-	-	-	-
Fund Balances - Designated for Contingencies	-	-	-	-
Fund Balances - Unreserved, Undesignated	30,137	400,250	-	214
Total Fund Equity	$128,270	$528,243	$113,640	$ 252
Total Liabilities and Fund Equity	$441,386	$892,821	$114,483	$ 2,042

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	COLLEGE AND UNIVERSITY	ACCOUNT GROUPS	
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	FUNDS	GEN. FIXED ASSETS	GEN. LONG TERM DEBT
$1,929,503	$ 50,074	$10,459,816	$ 163,380	$ -	$ -
-	-	854,422	-	-	-
320,541	45,055	290,573	55,582	-	-
17,751	52	431,447	10,855	-	-
-	-	-	-	-	-
25,465	3,960	89	8,011	-	-
33,175	1,200	1,336	4,874	-	-
4,813,817	705	49,495	64,956	-	-
19,385	-	-	-	-	-
39,805	-	-	-	-	-
830,790	-	-	-	-	-
59,305	97,561	3,784	980,693	642,492	-
-	-	-	-	-	113,640
-	-	-	-	-	224,710
$8,089,537	$198,607	$12,090,962	$1,288,351	$642,492	$338,350
$ 197,273	$ 12,649	$ 48,003	$ 22,872	$ -	$ -
35,657	23,957	428,973	156	-	-
52,671	-	19,262	76	-	-
9,731	-	-	552	-	-
-	-	1,702,268	4,224	-	-
-	-	95,722	-	-	-
170,385	23,010	1	2,971	-	10,426
-	956	-	-	-	-
5,493	5,745	-	300	-	-
6,191,374	-	-	174,694	-	248,355
3,656	1,657	24,272	14,864	-	-
7,857	2,358	250	14,608	-	21,980
1,086,032	27,324	-	-	-	57,589
$7,760,129	$ 97,656	$ 2,318,751	$ 235,317	$ -	$338,350
$ -	$ -	$ -	$ 802,684	$642,492	$ -
9,011	50,477	-	-	-	-
9,982	-	-	-	-	-
310,415	50,474	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	9,017,908	-	-	-
-	-	162,346	-	-	-
-	-	-	224,898	-	-
-	-	-	-	-	-
-	-	591,957	25,452	-	-
$ 329,408	$100,951	$ 9,772,211	$1,053,034	$642,492	$ -
$8,089,537	$198,607	$12,090,962	$1,288,351	$642,492	$338,350

The notes to the financial statements are an integral part of this report.

TOTALS (MEMO ONLY) JUNE 30	
1988	1987
$13,304,904	$13,333,116
859,971	767,510
939,623	697,300
614,897	146,916
135,398	166,425
81,934	82,420
40,673	41,630
5,052,579	5,283,044
76,272	64,443
39,805	51,066
830,790	-
1,783,835	1,619,971
113,640	118,283
224,710	93,132
$24,099,031	$22,465,256
$ 563,128	$ 678,624
614,897	146,916
133,911	61,784
10,762	5,816
1,717,792	1,507,829
95,722	76,866
206,793	34,196
956	1,391
76,272	64,443
6,614,423	6,904,600
168,648	178,128
56,281	48,531
1,170,945	989,393
$11,430,530	$10,698,517
$ 1,445,176	$ 1,308,834
59,488	47,259
9,982	19,900
360,889	304,959
34,289	-
44,409	39,639
1,210	1,962
94,136	81,073
56,887	57,927
108,790	-
83	80
9,017,908	8,693,962
162,346	152,273
224,898	189,017
-	41,185
1,048,010	828,669
$12,668,501	$11,766,739
$24,099,031	$22,465,256

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND
EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST
Revenue					
Income Taxes	$1,641,052	$ -	$ -	$ -	$ -
Selective Sales and Use Taxes	69,071	320,675	-	-	-
Gross Receipts Business Taxes	55,441	5,190	-	-	-
Employer-Employe Taxes	-	109,877	-	-	328,348
Inheritance and Gift Taxes	12,982	-	-	-	-
Severance Taxes	2,054	132	-	-	-
Other Taxes	-	20,608	-	-	1,000
Business Licenses and Fees	5,386	31,943	-	-	-
Nonbusiness Licenses and Fees	11,733	119,001	-	-	-
Federal Revenues	59	1,077,856	-	589	9,131
Charges for Services	2,713	109,454	-	-	20
Fines and Forfeitures	11,748	12,537	-	-	-
Rents and Royalties	130	3,189	-	-	-
Interest and Investment Income	32,480	22,503	11,067	2	58,563
Sales Income	2,131	39,290	-	-	2
Donations and Grants (Nonfederal)	-	6,228	-	87	2,132
Other Revenues	2,521	23,114	-	-	2,071
Total Revenues	$1,849,501	$1,901,597	$ 11,067	$ 678	$401,267
Expenditures					
Personal Services	$ 303,309	$ 389,110	$ -	$ 499	$ 26
Services and Supplies	120,152	411,015	-	1,448	2,106
Capital Outlay	11,359	13,983	-	13,555	827
Special Payments	396,741	1,616,344	-	-	224,715
Debt Service	476	1,237	27,963	-	-
Total Expenditures	$ 832,037	$2,431,689	$ 27,963	$ 15,502	$227,674
Excess (Deficiency) of Revenues Over Expenditures	$1,017,464	$ (530,092)	$(16,896)	$(14,824)	$173,593
Other Financing Sources (Uses)					
Transfers-in	$ 28,742	$ 839,948	$ 12,729	$ 13,898	$ 5,271
Transfers-out	(958,956)	(221,170)	(50)	-	(14,188)
Loan Repayments/Bond Proceeds	(868)	92,189	693	-	73
Loan Proceeds	-	158	-	622	-
Leases Incurred	277	177	-	-	-
Extraordinary Gain (Loss)	(68,840)	-	-	-	-
Total Other Financing Sources (Uses)	$ (999,645)	$ 711,302	$ 13,372	$ 14,520	$ (8,844)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 17,819	$ 181,210	$ (3,524)	$ (304)	$164,749
Fund Balances Beginning	$ 111,270	$ 328,450	$118,283	$ 561	$447,688
Cumulative Effect of Accounting Change	-	-	-	-	-
Prior Period Adjustments	-	135	(426)	(5)	18
Fund Balances - Beginning - As Restated	$ 111,270	$ 328,585	$117,857	$ 556	$447,706
Increase (Decrease) in Reserves					
Inventories	42	4,728	-	-	-
Revolving Accounts	-	(752)	-	-	-
Loans Receivable	-	13,552	(693)	-	-
Advances to Other Funds	(870)	(171)	-	-	-
Other	9	(6)	-	-	-
Investment in Fixed Assets	-	-	-	-	-
Residual Equity Transfers	-	1,097	-	-	(21,278)
Fund Balances - Ending	$ 128,270	$ 528,243	$113,640	$ 252	$591,177

TOTALS (MEMO ONLY)	
FISCAL YEAR ENDED JUNE 30,	
1988	1987
$1,641,052	$1,366,493
389,746	352,347
60,631	58,524
438,225	444,601
12,982	34,712
2,186	2,142
21,608	15,365
37,329	29,273
130,734	114,842
1,087,635	1,053,512
112,187	77,428
24,285	23,219
3,319	4,057
124,615	76,637
41,423	31,696
8,447	5,378
27,706	42,769
$4,164,110	$3,732,995
$ 692,944	$ 648,919
534,721	598,587
39,724	48,032
2,237,800	2,119,219
29,676	27,680
$3,534,865	$3,442,437
$ 629,245	$ 290,558
$ 900,588	$1,092,070
(1,194,364)	(1,370,979)
92,087	30,875
780	-
454	3,455
(68,840)	-
$ (269,295)	$ (244,579)
$ 359,950	$ 45,979
$1,006,252	$1,051,762
-	(51,421)
(278)	(48,238)
$1,005,974	$ 952,103
4,770	647
(752)	304
12,859	(5,319)
(1,041)	12,511
3	27
-	-
(20,181)	-
$1,361,582	$1,006,252

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST	NONEXPENDABLE TRUST
Operating Revenues:				
Sales Income	$ 304,620	$ 19,190	$ -	$ 12,844
Contributions	-	-	465,389	-
Taxes and Licenses	13,014	329	-	61
Federal Revenues	581	-	-	-
Charges for Services	353,722	115,807	-	195
Fines and Forfeitures	2,908	-	-	-
Rents and Royalties	1,589	11,954	-	1,353
Interest and Investment Income	617,176	2,840	342,881	18,122
Donations and Grants (Nonfederal)	37	-	-	134
Other Revenues	1,472	1,401	85	1,187
Loss on Foreclosed Property (Net)	(4,649)	-	-	-
Gain (Loss) on Sale of Investments	1,361	-	-	-
Gain (Loss) on Disposition of Equipment	(556)	(67)	(22)	(19)
Fees Waived	(41,262)	-	-	-
Total Operating Revenues	$1,250,013	$151,454	$ 808,333	$ 33,877
Operating Expenses				
Salaries and Wages	$ 170,360	$ 48,463	$ 2,922	$ 3,088
Services and Supplies	107,715	78,133	2,280	2,739
Cost of Sales	73,678	13,364	-	-
Special Payments	429,663	11,828	-	-
Interest Expense	463,772	785	-	-
Benefit Payments	-	-	318,840	-
Distribution to Governments	-	-	-	17,960
Depreciation and Amortization	6,058	11,872	128	32
Total Operating Expenses	$1,251,246	$164,445	$ 324,170	$ 23,819
Net Income (Loss) Before Operating Transfers	$ (1,233)	$(12,991)	$ 484,163	$ 10,058
Operating Transfers-in	122,900	559	-	541
Operating Transfers-out	(129,684)	(717)	(39)	(267)
Net Income (Loss) Before Extraordinary Items and Accounting Change	$ (8,017)	$(13,149)	$ 484,124	$ 10,332
Extraordinary Gain (Loss)	68,840	-	-	-
Cumulative Effect of Accounting Change	55,479	-	-	-
Net Income (Loss)	$ 116,302	$(13,149)	$ 484,124	$ 10,332
Fund Equity - Beginning	$ 258,470	$113,648	$8,693,962	$ 152,273
Prior Period Adjustments	(36,265)	(3,251)	(180,676)	(256)
Fund Equity - Beginning - As Restated	$ 222,205	$110,397	$8,513,286	$ 152,017
Unrealized Gain on Investments	(9,918)	-	-	-
Residual Equity Transfers	819	3,703	21,278	(3)
Fund Equity - Ending	$ 329,408	$100,951	$9,018,688	$ 162,346

TOTALS (MEMO ONLY)	
FISCAL YEAR ENDED JUNE 30,	
1988	1987
$ 336,654	$ 269,024
465,389	427,549
13,404	13,834
581	546
469,724	435,460
2,908	64
14,896	14,751
981,019	2,301,158
171	63
4,145	6,498
(4,649)	(25,549)
1,361	-
(664)	(1,789)
(41,262)	(43,672)
$2,243,677	$3,397,937
$ 224,833	$ 195,461
190,867	159,186
87,042	87,372
441,491	383,230
464,557	471,821
318,840	287,548
17,960	16,791
18,090	16,847
$1,763,680	$1,618,256
479,997	1,779,681
124,000	65,704
(130,707)	(89,572)
$ 473,290	$1,755,813
68,840	(39,469)
55,479	33,800
$ 597,609	$1,750,144
$9,218,353	$7,459,762
(220,448)	2,514
$8,997,905	$7,462,276
(9,918)	2,074
25,797	3,859
$9,611,393	$9,218,353

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FISCAL YEAR ENDED JUNE 30, 1988
(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST	NONEXPENDABLE TRUST
Sources of Working Capital				
Operations:				
Net Income (Loss) Before Extraordinary Items and Accounting Change	$ (8,017)	$(13,149)	$484,124	$ 10,332
Items Not Requiring (Providing) Working Capital				
Depreciation and Amortization	6,060	11,872	128	31
LT Compensated Absences	1,590	(137)	19	(1)
LT Claim Losses	-	9,187	-	-
Amortized Bond Discounts/Costs/Premiums	3,743	-	-	-
Donated Equipment	-	-	-	-
Loans Forgiven	343	-	-	-
Accreted Interest	3,568	-	-	-
Residual Equity Transfers	-	-	21,278	(3)
Total Provided by Operations Before Extraordinary Items and Accounting Change	$ 7,287	$ 7,773	$505,549	$ 10,359
Extraordinary Items and Accounting Change:				
Extraordinary Gain (Loss)	-	-	-	-
Accounting Change	55,479	-	-	-
Prior Period Adjustments	(36,314)	-	(180,676)	(256)
Other Sources				
Payables Reclassified to Long-Term	-	-	-	-
Contributed From Another Fund	423	3,703	-	-
Disposal of Property and Equipment	(959)	774	22	25
Sale of Bonds	82,756	-	-	-
Loan Proceeds	1,011	3,668	-	-
Loan Repayments	525,649	2,424	-	13
Other Miscellaneous	(2)	-	-	1
Revaluation of Investments	17,365	-	-	-
Increase in Loss Reserves	87,655	-	-	-
Loan Reductions - Foreclosures	-	-	-	-
Decrease in Bonds Classified as Current Liabilities	5,675	-	-	-
Total Provided	$746,025	$18,342	$324,895	$ 10,142
Uses of Working Capital				
Investments Reclassified to Long-Term	$ -	$ -	$ -	$ -
Bonds Reclassified as Current Liabilities	(8,516)	-	-	-
Retirement of Bonds	288,078	-	-	-
Loans Made	295,984	1,516	-	-
Construction of Buildings	2,484	-	-	-
Acquisition of Property and Equipment	2,879	10,711	300	331
Payment of Other Long-Term Liabilities	829	4,970	-	7
Other	-	-	-	-
Premium and Discounts on Bonds	589	-	-	-
Loss on Foreclosed Property	-	-	-	-
Total Applied	$582,327	$ 17,197	$ 300	$ 338
Net Increase (Decrease) in Working Capital	$163,698	$ 1,145	$324,595	$ 9,804
Elements of Net Increase (Decrease) in Working Capital				
Cash and Investments	$185,565	$ 8,473	$(68,770)	$ 12,019
Receivables	41,340	15,283	413,627	567
Inventories	(18,103)	306	7	1
Prepaid Expenses	(278)	1,177	-	-
Payables	(43,710)	(22,717)	(20,269)	(2,822)
Deferred Income	(1,116)	(1,377)	-	39
Net Increase (Decrease) in Working Capital	$163,698	$ 1,145	$324,595	$ 9,804

TOTALS (MEMO ONLY) FISCAL YEAR ENDED JUNE 30, 1988	1987
$ 473,290	$1,755,813
18,091	16,846
1,471	358
9,187	1,675
3,743	5,350
-	(24)
343	(185)
3,568	2,759
21,275	(14)
$ 530,968	$1,782,578
$ -	$ (39,469)
55,479	33,800
(217,246)	2,379
-	9,040
4,126	3,867
(138)	2,493
82,756	331,000
4,679	19,422
528,086	466,912
(1)	6
17,365	2,074
87,655	80,916
-	109,516
5,675	-
$1,099,404	$2,804,534
$ -	$ 51,066
(8,516)	290,935
288,078	233,480
297,500	320,469
2,484	6,342
14,221	37,005
5,806	2,493
-	3
589	13,361
-	289
$ 600,162	$ 955,443
$ 499,242	$1,849,091
$ 137,287	$2,047,282
470,817	66,488
(17,789)	(373)
899	739
(89,518)	(271,492)
(2,454)	6,447
$ 499,242	$1,849,091

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - ALL COLLEGE AND
UNIVERSITY FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	CURRENT FUNDS	FIDUCIARY FUNDS	PLANT FUNDS	TOTALS (MEMO ONLY) FISCAL YEAR ENDED JUNE 30, 1988	1987
Revenue					
Federal Revenue	$ 129,948	$ 365	$ 12,354	$ 142,667	$ 135,224
Charges for Services	356,473	1	2,516	358,990	327,717
Fines and Forfeitures	424	-	-	424	393
Rents and Royalties	601	-	-	601	661
Interest and Investment Income	5,672	2,427	8,127	16,226	12,962
Donations and Grants (Nonfederal)	37,237	1,097	3,092	41,426	49,144
Other Revenue	31,321	2,272	15,149	48,742	19,110
Total Revenue	$ 561,676	$ 6,162	$ 41,238	$ 609,076	$545,211
Expenditures					
Personal Services	$ 549,149	$ -	$ 102	$ 549,251	$ 504,266
Services and Supplies	212,508	237	25,997	238,742	214,869
Capital Outlay	31,895	-	42,343	74,238	67,754
Special Payments	46,751	1	48	46,800	43,241
Debt Service	462	-	19,084	19,546	16,731
Total Expenditures	$ 840,765	$ 238	$ 87,574	$ 928,577	$ 846,861
Excess (Deficiency) of Revenues Over Expenditures	$(279,089)	$ 5,924	$(46,336)	$ (319,501)	$(301,650)
Other Financing Sources (Uses)					
Transfers-in	$ 279,608	$ 1,505	$ 66,750	$ 347,863	$ 323,274
Transfers-out	(12,663)	(1,419)	(36,018)	(50,100)	(30,898)
Bond Proceeds	-	-	38,788	38,788	14,350
Increase in Fixed Assets	-	-	132,141	132,141	69,059
Decrease in Long Term Liabilities	-	-	(33,236)	(33,236)	(5,675)
Total Other Financing Sources (Uses)	$ 266,945	$ 86	$168,425	$ 435,456	$ 370,110
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ (12,144)	$ 6,010	$122,089	$ 115,955	$ 68,460
Fund Equity Beginning	56,677	101,309	779,093	937,079	868,619
Fund Equity - Ending	$ 44,533	$107,319	$901,182	$1,053,034	$ 937,079

The notes to the financial statements are an integral part of this report.

This page intentionally left blank

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1988
(Expressed in Thousands)

	GENERAL FUND		
	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Income Taxes	$3,129,971	$1,450,830	$1,679,141
Selective Sales and Use Taxes	133,756	69,071	64,685
Gross Receipts Business Taxes	110,320	55,441	54,879
Employer-Employe Taxes	-	-	-
Inheritance and Gift Taxes	21,900	12,982	8,918
Severance Taxes	4,163	2,054	2,109
Other Taxes	-	-	-
Business Licenses and Fees	11,401	5,386	6,015
Nonbusiness Licenses and Fees	26,267	11,733	14,534
Federal Revenues	-	59	(59)
Charges for Services	5,571	2,677	2,894
Fines and Forfeitures	24,750	12,115	12,635
Rents and Royalties	-	130	(130)
Interest and Investment Income	51,000	32,480	18,520
Sales Income	-	2,131	(2,131)
Donations and Grants (Nonfederal)	-	-	-
Contributions	-	-	-
Other Revenues	6,773	2,447	4,326
Total Revenues	$3,525,872	$1,659,536	$1,866,336
Expenditures			
Personal Services	$ 642,401	$ 302,657	$ 339,744
Services and Supplies	234,892	121,717	113,175
Capital Outlay	21,688	11,014	10,674
Special Payments	2,179,571	1,078,010	1,101,561
Debt Service	-	-	-
Total Expenditures	$3,078,552	$1,513,398	$1,565,154
Excess (Deficiency) of Revenues Over Expenditures	$ 447,320	$ 146,138	$ 301,182
Other Financing Sources (Uses)			
Operating Transfers-in	64,403	28,742	35,661
Operating Transfers-out	(653,610)	(273,282)	(380,328)
Transfers Out - Other	-	-	-
Transfers to Counties and Cities	-	-	-
Bond Sales/Loan Proceeds	-	-	-
Loan Repayments	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ (141,887)	$ (98,402)	$ (43,485)
Fund Equity Beginning		111,270	
Transactions Recorded During The Year But Charged to Prior Biennia			
Revenues		(1,749)	
Expenditures		(6,568)	
Activity not subject to budgetary guidelines:			
Revenues		-	
Expenditures		-	
Extraordinary Gain (Loss)		(68,840)	
Increase (Decrease) in Reserves			
Inventories		42	
Revolving Accounts		-	
Loans Receivable		-	
Advances to Other Funds		(870)	
Other		9	
Depreciation and Amortization		-	
GAAP Reclassification of fund equity		193,378	
Net Increase in Investment in Plant		-	
Accounting Change		-	
Unrealized Gain on Investments		-	
Prior Period Adjustments		-	
Residual Equity Transfers and Capital Contributions		-	
Fund Equity Ending		$ 128,270	

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
$ -	$ -	$ -	$ -	$ -	$ -
645,759	322,481	323,278	-	-	-
16,709	5,190	11,519	-	-	-
52,746	44,709	8,037	-	-	-
-	-	-	-	-	-
815	131	684	-	-	-
31,249	20,609	10,640	-	-	-
58,719	30,054	28,665	-	-	-
203,929	114,726	89,203	-	-	-
1,686,043	915,050	770,993	-	-	-
119,001	107,775	11,226	-	-	-
4,138	3,709	429	-	-	-
4,848	3,180	1,668	-	-	-
20,556	14,268	6,288	-	-	-
59,072	37,079	21,993	-	-	-
9,437	5,600	3,837	-	-	-
-	-	-	-	-	-
46,750	20,148	26,602	-	-	-
$2,959,771	$1,644,709	$1,315,062	$ -	$ -	$ -
$ 813,399	$ 383,716	$ 429,683	$ -	$ -	$ -
887,817	336,174	551,643	-	-	-
38,273	13,196	25,077	-	-	-
1,348,171	696,290	651,881	-	-	-
-	-	-	6,625	3,242	3,383
$3,087,660	$1,429,376	$1,658,284	$ 6,625	$ 3,242	$ 3,383
$ (127,889)	$ 215,333	$ (343,222)	$ (6,625)	$ (3,242)	$ (3,383)
1,355,327	731,694	623,633	6,625	3,242	3,383
(877,038)	(592,805)	(284,233)	-	-	-
(145,523)	(86,809)	(58,714)	-	-	-
(297,109)	(146,815)	(150,294)	-	-	-
65,000	76,353	(11,353)	-	-	-
16,252	12,933	3,319	-	-	-
$ (10,980)	$ 209,884	$ (220,864)	$ -	$ -	$ -
	328,450			118,283	
	(4,064)			-	
	8,100			-	
	777,567			21,197	
	(800,650)			(24,818)	
	-			-	
	4,728			-	
	(752)			-	
	13,552			(693)	
	(171)			-	
	(6)			-	
	-			-	
	(9,627)			97	
	-			-	
	-			-	
	-			-	
	135			(426)	
	1,097			-	
	$ 528,243			$113,640	

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1988
(Expressed in Thousands)

Page 2 of 3

	CAPITAL PROJECTS FUND		
	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Income Taxes	$ -	$ -	$ -
Selective Sales and Use Taxes	-	-	-
Gross Receipts Business Taxes	-	-	-
Employer-Employe Taxes	-	-	-
Inheritance and Gift Taxes	-	-	-
Severance Taxes	-	-	-
Other Taxes	-	-	-
Business Licenses and Fees	-	-	-
Nonbusiness Licenses and Fees	-	-	-
Federal Revenues	5,311	30	5,281
Charges for Services	778	1	777
Fines and Forfeitures	-	-	-
Rents and Royalties	20	-	20
Interest and Investment Income	-	-	-
Sales Income	-	-	-
Donations and Grants (Nonfederal)	-	26	(26)
Contributions	-	-	-
Other Revenues	53	-	53
Total Revenues	$ 6,162	$ 57	$ 6,105
Expenditures			
Personal Services	$ 1,201	$ 320	$ 881
Services and Supplies	5,579	1,386	4,193
Capital Outlay	55,593	11,696	43,897
Special Payments	-	-	-
Debt Service	-	-	-
Total Expenditures	$ 62,373	$ 13,402	$ 48,971
Excess (Deficiency) of Revenues Over Expenditures	$(56,211)	$(13,345)	$(42,866)
Other Financing Sources (Uses)			
Operating Transfers-in	62,464	11,168	51,296
Operating Transfers-out	(21,250)	(454)	(20,796)
Transfers Out - Other	-	-	-
Transfers to Counties and Cities	-	-	-
Bond Sales/Loan Proceeds	354	75	279
Loan Repayments	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$(14,643)	$ (2,556)	$(12,087)
Fund Equity Beginning		561	
Transactions Recorded During The Year But Charged to Prior Biennia			
Revenues		7,978	
Expenditures		(4,921)	
Activity not subject to budgetary guidelines:			
Revenues		3	
Expenditures		(3)	
Extraordinary Gain (Loss)		-	
Increase (Decrease) in Reserves			
Inventories		-	
Revolving Accounts		-	
Loans Receivable		-	
Advances to Other Funds		-	
Other		-	
Depreciation and Amortization		-	
GAAP Reclassification of fund equity		(805)	
Net Increase in Investment in Plant		-	
Accounting Change		-	
Unrealized Gain on Investments		-	
Prior Period Adjustments		(5)	
Residual Equity Transfers and Capital Contributions		-	
Fund Equity Ending		$ 252	

ENTERPRISE FUND			INTERNAL SERVICE FUND		
1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
$ -	$ -	$ -	$ -	$ -	$ -
20,952	10,543	10,409	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,974	1,924	2,050	7	59	(52)
50	81	(31)	464	271	193
-	105	(105)	-	-	-
20,252	10,921	9,331	161,868	82,469	79,399
91	45	46	71	73	(2)
2,095	1,224	871	23,317	12,001	11,316
4,755	26,445	(21,690)	-	-	-
135,105	66,823	68,282	48,626	17,498	31,128
-	-	-	-	-	-
-	-	-	-	-	-
834	470	364	721	251	470
$188,108	$118,581	$ 69,527	$235,074	$112,622	$122,452
$ 48,303	$ 23,920	$ 24,383	$108,187	$ 48,628	$ 59,559
45,012	20,829	24,183	58,419	27,992	30,427
1,864	999	865	17,153	8,297	8,856
54,799	15,694	39,105	990	326	664
-	-	-	-	440	(440)
$149,978	$ 61,442	$ 88,536	$184,749	$ 85,683	$ 99,066
$ 38,130	$ 57,139	$(19,009)	$ 50,325	$ 26,939	$ 23,386
53,684	42,933	10,751	18,744	15,541	3,203
(24,791)	(70,310)	45,519	(19,833)	(6,656)	(13,177)
-	-	-	-	-	-
(30,311)	(15,397)	(14,914)	-	-	-
-	-	-	375	450	(75)
544	4,141	(3,597)	-	-	-
$ 37,256	$ 18,506	$ 18,750	$ 49,611	$ 36,274	$ 13,337
	258,470			113,648	
	(1,599)			(1,802)	
	(322)			362	
	1,882,522			23,583	
	(1,835,246)			(60,025)	
	68,840			-	
	-			-	
	-			-	
	-			-	
	-			-	
	-			-	
	(6,037)			(10,372)	
	(65,841)			2,534	
	-			-	
	55,479			-	
	(9,918)			-	
	(36,265)			(3,251)	
	819			-	
	$329,408			$100,951	

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1988
(Expressed in Thousands)

	TRUST AND AGENCY FUNDS		
	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Income Taxes	$ -	$ -	$ -
Selective Sales and Use Taxes	16,913	8,374	8,539
Gross Receipts Business Taxes	11,231	10,669	562
Employer-Employe Taxes	112,426	58,133	54,293
Inheritance and Gift Taxes	-	-	-
Severance Taxes	55,415	25,370	30,045
Other Taxes	1,700	1,000	700
Business Licenses and Fees	-	-	-
Nonbusiness Licenses and Fees	120	60	60
Federal Revenues	2,866	2,361	505
Charges for Services	148	1,303	(1,155)
Fines and Forfeitures	5	63	(58)
Rents and Royalties	2,927	1,365	1,562
Interest and Investment Income	906,544	361,315	545,229
Sales Income	16,482	12,849	3,633
Donations and Grants (Nonfederal)	13	1,215	(1,202)
Contributions	908,277	465,389	442,888
Other Revenues	687	4,188	(3,501)
Total Revenues	$2,035,754	$ 953,654	$1,082,100
Expenditures			
Personal Services	$ 13,406	$ 5,984	$ 7,422
Services and Supplies	11,375	5,613	5,762
Capital Outlay	1,538	1,208	330
Special Payments	1,000	811	189
Debt Service	-	-	-
Total Expenditures	$ 27,319	$ 13,616	$ 13,703
Excess (Deficiency) of Revenues Over Expenditures	$2,008,435	$ 940,038	$1,068,397
Other Financing Sources (Uses)			
Operating Transfers-in	$ 27,626	$ 18,356	$ 9,270
Operating Transfers-out	(32,808)	(365,982)	333,174
Transfers Out - Other	-	(228)	228
Transfers to Counties and Cities	(197,107)	(103,064)	(94,043)
Bond Sales/Loan Proceeds	-	-	-
Loan Repayments	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$1,806,146	$ 489,120	$1,317,026
Fund Equity Beginning		9,293,923	
Transactions Recorded During The Year But Charged to Prior Biennia			
Revenues		412	
Expenditures		1,127	
Activity not subject to budgetary guidelines:			
Revenues		804,298	
Expenditures		(615,468)	
Extraordinary Gain (Loss)		-	
Increase (Decrease) in Reserves			
Inventories		-	
Revolving Accounts		-	
Loans Receivable		-	
Advances to Other Funds		-	
Other		-	
Depreciation and Amortization		(160)	
GAAP Reclassification of fund equity		(20,124)	
Net Increase in Investment in Plant		-	
Accounting Change		-	
Unrealized Gain on Investments		-	
Prior Period Adjustments		(180,914)	
Residual Equity Transfer and Capital Contributions		(3)	
Fund Equity Ending		$9,772,211	

COLLEGE AND UNIVERSITY FUNDS			TOTALS (MEMO ONLY) FISCAL YEAR ENDED JUNE 30, 1988		
1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
$ -	$ -	$ -	$3,129,971	$ 1,450,830	$1,679,141
-	-	-	817,380	410,469	406,911
-	-	-	138,260	71,300	66,960
-	-	-	165,172	102,842	62,330
-	-	-	21,900	12,982	8,918
-	-	-	60,393	27,555	32,838
-	-	-	32,949	21,609	11,340
-	-	-	74,101	37,423	36,678
-	-	-	230,830	126,871	103,959
81,200	31,289	49,911	1,775,420	948,894	826,526
223,859	107,950	115,909	531,477	313,096	218,381
-	385	(385)	29,055	16,390	12,665
-	-	-	33,207	17,900	15,307
305	627	(322)	983,160	435,135	548,025
-	-	-	259,285	136,380	122,905
6,897	4,017	2,880	16,347	10,858	5,489
-	-	-	908,277	465,389	442,888
14,938	9,688	5,250	70,756	37,192	33,564
$ 327,199	$ 153,956	$ 173,243	$9,277,940	$ 4,643,115	$4,634,825
$ 697,656	$ 328,791	$ 368,865	$2,324,553	$ 1,094,016	$1,230,537
126,268	60,582	65,686	1,369,362	574,293	795,069
195,200	45,070	150,130	331,309	91,480	239,829
100	121	(21)	3,584,631	1,791,252	1,793,379
11,000	5,401	5,599	17,625	9,083	8,542
$1,030,224	$ 439,965	$ 590,259	$7,627,480	$ 3,560,124	$4,067,356
$ (703,025)	$ (286,009)	$(417,016)	$1,650,460	$ 1,082,991	$ 567,469
646,709	346,272	300,437	2,235,582	1,197,948	1,037,634
-	(50,021)	50,021	(1,629,330)	(1,359,510)	(269,820)
-	-	-	(145,523)	(87,037)	(58,486)
-	-	-	(524,527)	(265,276)	(259,251)
69,737	38,987	30,750	135,466	115,865	19,601
-	-	-	16,796	17,074	(278)
$ 13,421	$ 49,229	$ (35,808)	$1,738,924	$ 702,055	$1,036,869
	937,079			11,161,684	
	1,647			823	
	(24,692)			(26,914)	
	454,873			3,964,043	
	(461,276)			(3,797,486)	
	-			-	
	-			4,770	
	-			(752)	
	-			12,859	
	-			(1,041)	
	-			3	
	-			(16,569)	
	(2,731)			96,881	
	98,905			98,905	
	-			55,479	
	-			(9,918)	
	-			(220,726)	
	-			1,913	
	$1,053,034			$12,026,009	

The notes to the financial statements are an integral part of this report.

NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

June 30, 1988

1. Reporting Entity

The reporting entity of the State of Oregon includes all state agencies, universities, commissions, and boards for which the elected state officials have oversight responsibility. Oversight responsibility implies that the state officials have final decision-making authority, designate who will manage day-to-day operations of the governmental activity or program, and significantly influence the operations. The governmental unit is dependent upon the elected state officials for fiscal decisions relative to adoption of budgets and funding of deficits.

All functions, programs, and activities that are controlled by or dependent upon the legislative or executive branch of the State of Oregon are included in this report. This includes the State Court system and the Retirement system. This does not include the Oregon State Bar.

SAIF Corporation, a public corporation and its wholly-owned subsidiaries SAIF Corporation of Oregon and Loggers' Assurance Company, Inc. are included in this reporting entity as Enterprise Funds.

Commodity commissions were originally established for the purpose of expanding the markets for specific commodities. The Department of Agriculture, a state agency, has general supervisory authority over the commodity commissions. However, Oregon Revised Statute 576.311 exempts the commodity commissions from certain financial administration laws. Therefore, the financial information pertaining to agricultural commodity commissions is not included in this report.

The Economic Development Department, a state agency, has issued industrial development revenue bonds. Since industrial development revenue bonds are considered no-commitment long-term debt, the financial transactions relative to the bond activity are not included in this report.

The Public Employe Retirement System and Oregon State Fair and Exposition Center, component units of the State of Oregon, utilize a calendar year for accounting and reporting purposes. They are presented on a fiscal year basis in this report.

2. Basis of Presentation-Fund Accounting

The accompanying financial statements are prepared in conformity with generally accepted accounting principles (GAAP) applicable to state governments. The principal authority for accounting and reporting requirements in Oregon is the Executive Department through its Administrative Rules and the State Accounting Manual. The Department interprets the guidelines for financial reporting presented by the Governmental Accounting Standards Board (GASB), National Council on Governmental Accounting (NCGA) Statements and the AICPA's industry audit guide, "Audits of State and Local Governmental Units-Revised" (ASLGU). Pronouncements of the Financial Accounting Standards Board (FASB) are also considered when applicable.

The financial transactions for the College and University Funds have been prepared in conformity with generally accepted accounting principles as prescribed by the National Association of College and University Business Officers (NACUBO) and are presented in a separate column of the financial statements as a discrete activity.

State government is operated based on fund accounting concepts. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording assets, liabilities, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions. Following are the funds presented in the financial statements.

Governmental Fund Types

(a) The **General Fund** accounts for ordinary operations financed by legislatively approved appropriations from general revenues and used for general governmental purposes. General Fund appropriations for debt service, capital construction projects, and colleges and universities are reported in the Debt Service Funds, the Capital Project Funds, and College and University Funds, respectively.

(b) **Special Revenue Funds** account for the proceeds of specific revenue sources or finance specified activities as required by law or administrative regulations. Special Revenue Funds are established to account for taxes, licenses, and other revenue allocated by law to specific general governmental purposes. These revenues are collected by an agency and either transferred to another agency to be expended for a specific purpose, or the revenues are expended by the collecting agency.

(c) **Debt Service Funds** account for the accumulation of resources for, and the payment of interest and principal on general governmental obligations that are included in the General Long-Term Debt Account Group. They include debt service provided by General Fund appropriations.

(d) **Capital Project Funds** account for financial resources segregated for the construction or acquisition of major capital facilities other than those financed by proprietary type funds and College and University Funds.

A Capital Projects Fund is established upon project or debt issue authorization by the Legislature. All expenditures necessary to bring the facility to a state of readiness for its intended purpose are reported as Capital Project Fund costs.

The Fund is accounted for separately to meet budgetary requirements even though a proprietary type fund may own the assets. At June 30, the activity is capitalized in the General Fixed Assets Account Group or the appropriate proprietary type fund. Partially completed projects are included in the Construction in Process account. Upon completion of a project, the buildings, or other structures are recorded at cost.

Proprietary Fund Types

(e) **Enterprise Funds** account for the provision of goods and services to the general public where all or most of the costs involved are primarily paid in the form of charges to the users of such services. Among the many types of self-supporting activities financed through Enterprise Funds are insurance operations, fair operations, and liquor retailing operations. Issuance of revenue bonds to finance the activity is also indicative of the self-supporting nature of an activity accounted for through Enterprise Funds.

(f) **Internal Service Funds** account for the financing of goods and services provided by an agency on a cost-reimbursement basis to any other governmental unit, whether state, federal, or local. Activities handled through Internal Service Funds vary widely both as to type and complexity of operation. Among the types are those used to acquire and distribute items of inventory such as office supplies or gasoline; operation of motor pools, and duplicating and printing facilities. Other examples are purchasing, accounting, auditing, legal, and data processing services.

Fiduciary Fund Types

(g) A **Trust Fund** is established to account for assets received and held by an agency acting in the capacity of trustee or custodian. An Agency Fund is established to account for assets received by an agency in its capacity as an agent for individuals and other governmental units.

There are three types of Trust Funds: Expendable Trusts, Nonexpendable Trusts, and Pension Trusts.

College and University Funds

(h) The **College and University Funds** are established to account for:

(1) Current Funds — used to account for unrestricted funds over which the Board of Higher Education retains full control and are expendable for any purpose in performing the primary objectives of the Board; restricted funds, which consist of funds restricted by donors or outside agencies; and auxiliary funds which are self sustaining activities providing goods and services to students, faculty, and staff.

(2) Fiduciary Funds — used to account for loan, endowment, and agency funds in which the institutions act in a fiduciary capacity.

(3) Plant Funds — used to account for unexpended plant funds, debt service, and plant investment.

General Fund appropriations partially finance all three funds.

Account Groups

(i) The **General Fixed Asset Account Group** is used to account for fixed assets acquired through governmental fund types. Fixed assets acquired through Enterprise, Internal Service Funds, certain Trust Funds, and College and University Funds are not general fixed assets, but are reported in the accounts of the acquiring fund.

(j) The **General Long-Term Debt Account Group** includes all general obligation bonds and general long-term liabilities relating to governmental type funds. These long-term liabilities include capital leases, contracts and notes, and compensated absences.

General obligation bonds are secured by the full faith and credit of the State and are not deemed to be the obligation of any specific fund.

3. Basis of Accounting

(a) Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The measurement focus, on the other hand, identifies what transactions and events should be recorded.

(b) All proprietary-type funds are accounted for using the accrual basis of accounting and the flow of economic resources measurement focus. Their revenues are recognized when they are earned,

and their expenses are recognized when they are incurred.

Increases and decreases in the market value of equity investments reported in the Pension Trust Fund are reflected as interest income in accordance with Statements on Financial Accounting Standards (SFAS) 35. Market value increases and decreases on equity investments of the State Accident Insurance Fund (Enterprise Fund) are reflected as "Unrealized Gains on Investments" in accordance with SFAS 60.

(c) All governmental-type funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. Their revenues are recognized when they become measurable and available. "Available" indicates collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Primary revenue sources susceptible to accrual are income taxes, excise taxes, and federal revenues. Taxpayer assessed taxes are considered "measurable" when the revenue is in the hands of intermediary collecting agents. Federal grant revenue is not recognized until the expenditure is recognized.

Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. An exception to this general rule of expenditure recognition is: Principal and interest on general long-term liabilities are recognized when due.

Long-term receivables, net of uncollectibles, are included in the governmental-type funds. Loans and advances are reserved; other long-term receivables are deferred to future periods on the balance sheet.

Fixed assets of governmental-type funds are included in the General Fixed Assets Account Group. Long-term liabilities of governmental-type funds other than advances due to other funds are reported in the General Long-Term Debt Account Group.

(d) The modified accrual basis of accounting has been utilized for expendable trust funds and agency funds. The pension trust funds and nonexpendable trust funds use the accrual basis of accounting.

The college and university funds are accounted for on an accrual basis of accounting with the following exceptions:

(1) Depreciation expense is not recorded.

(2) Revenues and expenditures of an academic term encompassing more than one fiscal year are reported in the fiscal year in which the program is predominantly conducted.

(3) Interest expense is recorded when the payment is made.

4. Budgetary Accounting

Agency budgets are approved by the Legislature biennially. Any increases in the budgets that may be necessary are approved by the Emergency Board of the Legislature during the interim. Legislatively approved appropriations are financed from general governmental revenues of the General Fund. Legislatively approved limitations are financed from general governmental revenues or revenues of self-supporting activities of Oregon. Appropriations and limitations lapse at the end of the biennium.

During the biennium, the Executive Department approves spending limits for each quarter. Each agency's actual expenditures are monitored daily against approved budgets, quarterly allotments, and cash balances.

Appropriated budgets include expenditure authority created by appropriation bills and related estimated revenues. All funds are subject to legislative approval. Nonappropriated budgets and some nonlimited financial activities are also subject to allotment control by the Executive Department.

Because of the budgetary control requirements placed on all funds, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual" includes all funds. Nonlimited revenues and expenditures are included in the reconciliation to GAAP section.

The basis of preparing budgets is consistent with the basis of accounting of the different fund groups except for the case of transactions relative to long-term receivables and payables in proprietary fund types. Those transactions are treated as revenues and expenditures for budgetary purposes.

Encumbrance accounting is allowed during the biennium, however encumbrances are not allowed at the end of a biennium. Services or supplies must be received prior to June 30 to be charged to the current budget. Any encumbrances outstanding at the end of the biennium except for those related to capital construction, capital improvements, and contested claims must be charged to the following period budget.

The estimated encumbrances outstanding at June 30, 1988, are presented as a reservation of fund balance on the Combined Balance Sheet titled "Fund Balance - Reserved for Encumbrances". Encumbrances have only been reported for governmental fund types. Encumbrances to be paid from

federal funds are not presented on the balance sheet since federal funds have no available fund balance. Instead they are presented as commitments in Note R.1. Federal funds held in excess of outstanding claims against them are reported as liabilities.

A reconciliation is included on the "Combined Statement of Revenues, Expenditures and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual". It reconciles the budgetary basis of accounting to the "Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types and Similar Trust Funds", "Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All Governmental Fund Types and Expendable Trust Funds", and "Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All College and University Funds", which present generally accepted accounting principles. The budget data presented includes amendments made as provided by law.

5. Investments

Equity investments of the Public Employe Retirement System and SAIF Corporation are currently carried at market value in accordance with Statements of Financial Accounting Standards No. 35 and 60, respectively. Future authoritative pronouncements may alter this presentation. Debt investments are stated at cost or amortized cost. It is generally the intention of the State to hold the debt security investments until maturity. Market values are stated, if available. (Note B)

6. Receivables

Receivables are shown net of an allowance for uncollectible accounts. Receivables included are amounts due representing revenues earned or accrued in the current period. Types of receivables included in this classification relate to taxes, interest, amounts due from the federal government or other governments, and amounts due resulting from the sale of goods or services.

7. Inventories

Inventories are primarily stated at cost utilizing the FIFO (first-in, first-out) costing method. Physical inventories are required to be taken annually. In proprietary-type funds, the expense occurs when the inventory is used. In governmental-type funds, the expenditure occurs when the inventory is purchased and there is a reservation of the fund equity.

In the proprietary funds, inventories are usually defined as the cost of goods or property held for resale. In all other funds, inventories are considered the value of supplies on hand for use in the fund's operations.

8. Foreclosed and Deeded Properties

Properties acquired through foreclosure proceedings or by acceptance of deeds in lieu of foreclosure are recorded at the lower of cost or fair market value.

9. Fixed Assets

Fixed assets utilized in proprietary fund activities are reported in the appropriate proprietary fund because the fixed assets are used in the production of the goods or services provided and sold. Depreciation or amortization of these fixed assets is recorded to determine total expenses, net income, and whether the fund's capital has been impaired.

Fixed assets utilized in College and University Funds are reported in the fixed asset accounts of the fund. Depreciation is not taken on these fixed assets except for University Hospital.

Fixed assets utilized in Trust Funds are reported in the Trust Funds. Fixed assets other than those accounted for in the proprietary funds, College and University Funds, and Trust Funds are general fixed assets. General fixed assets belong to the state government as an instrumentality, and are not reported in the governmental funds. They may be acquired by gift or by expenditure from several sources and funds. General fixed assets are not depreciated and are reported in the General Fixed Assets Account Group.

Fixed assets are reported at cost or estimated cost if the original cost is not determinable. Donated fixed assets are reported at their estimated fair market value at the time received. Land costs include 1,432,606 acres of forest and other lands valued at one dollar per acre. Leased property is reported at the net amortized value.

Roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are normally immovable and of value only to the governmental unit. These "infrastructure" asset values, including the statewide highway system, are excluded from this report. Oregon's airports, however, are included in the Land, Buildings and Improvements category.

Capital leases, where title to the property passes to the State, are included in the appropriate fixed asset class. The property is depreciated, if appropriate. In the cases where the capital lease title will not pass to the State, the Capital Leased Property account is used. The property is amortized, if appropriate.

The construction in process account represents the total expended to date on a capital project. If a governmental fund type will own the asset, the account is included in the General Fixed Assets Account Group. If another fund type will own the asset, the account is included in the fixed assets of the fund type.

Fixed assets costing less than $100 are expensed unless an agency has elected to include them in their property records for control purposes.

10. Depreciation and Amortization

The recording of depreciation or amortization of fixed assets of proprietary funds is included in those funds in this report.

Any generally accepted method of computing depreciation that an agency is recommended to use to meet requirements of the federal government or other organization for rate determination or cost recovery purposes is acceptable; otherwise, one of the two following methods is required:

(a) Straight-line Depreciation provides for the distribution of the cost evenly over the life of the fixed asset. Useful lives for buildings and related assets range from 20 to 50 years while useful lives of equipment and machinery range from 3 to 10 years.

(b) Working Hour Method which provides for the distribution of costs over the estimated useful hours or days of a piece of equipment.

Amortization is a systematic reduction of the intangible property value over the life of the property or period of the lease, whichever is shorter. Intangible assets include leasehold improvements, software, and capital leases where the lease does not provide for a change in ownership.

Interest incurred in capital construction projects is capitalized as a part of the cost of construction. The entire cost of the project, including interest, is capitalized at completion. Proprietary type funds depreciate such assets over the useful life while governmental type funds and college/university funds do not depreciate the asset.

Generally accepted accounting for college and university funds does not require depreciation or amortization of fixed assets. Depreciation is not recorded except at University Hospital.

11. Deferred Income

Deferred income represents amounts for which asset recognition criteria has been met but for which revenue recognition criteria has not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available. Long-term receivables of governmental fund types that are not loans or advances are deferred to future periods.

12. Accounting Changes

The SAIF Corporation has changed the method of valuing medical reserves which has an effect of decreasing current period expense by $55,479,000.

13. Prior Period Adjustments

a. The Enterprise Fund has a prior period adjustment of $38,009,000 relating to a change in reporting doubtful accounts from the direct writeoff method to the allowance method.

b. An accrual of $16,229,000 for weight mileage tax was not reported at June 30, 1987, resulting in a prior period adjustment in the Special Revenue Fund.

c. An adjustment of $8,184,000 to the Special Revenue Fund resulted from various receivables which were not properly accrued at June 30, 1987.

d. A prior period adjustment of $23,233,000 to the Special Revenue Fund results from errors which occurred in the transition of accounting systems by the Highway Division.

e. The Internal Service Fund was adjusted by $3,502,000 for accumulated depreciation on computer equipment which was not eliminated when the assets were disposed of.

f. An adjustment of $186,800,000 to the Pension Trust Fund was made to reflect investment accruals which were not made at June 30, 1987.

14. Elements of Fund Equity

A portion of the fund equity has been earmarked to indicate it cannot be used for expenditure of current resources in governmental fund types. Reserve accounts used for this segregation are Reserve for Inventories, Reserve for Receivables, Designated for Contingencies, Reserve for Advances to Other Funds, Reserve for Revolving Accounts, Reserve for Encumbrances, and Other Reserves. No portion of the unreserved fund equity has been designated.

Contributed Capital represents assets contributed to a proprietary fund. These are in the form of donated or transferred equipment and capital assessments which are reported as residual equity transfers on the operating statement. Residual equity transfers between funds do not balance since capital assessments are reported as residual equity transfers in the Internal Service Fund and as expenditures in other fund types.

Unrealized Gain on Investments represents the excess of market value over cost on investments held by SAIF in accordance with insurance industry standards.

College and University fund equity has been earmarked as restricted and unrestricted. A detail listing of college and university fund equity follows as of June 30, 1988:

(Expressed in Thousands)

Restricted:	
Endowment Reserves	$ 7,477
Endowments	10,219
Term Endowments	52
Quasi—Endowments	12,322
Governmental Loan Funds	68,653
Institutional Loan Funds	5,571
Net Investment in Plant	802,684
Reserved for Encumbrances	31,627
Fund Balance	88,977
Unrestricted:	
Quasi—Endowments	3,027
Fund Balance	22,425
Total Fund Equity	**$1,053,034**

15. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "memo only" to indicate that they are presented only for use in financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation of funds since interfund eliminations have not been reflected in these columns.

B. CASH AND INVESTMENTS

The State maintains a cash and investment pool that is available for use by all funds. The pool has deposits and other investments. Each fund's portion of this pool is summarized by fund type in the Combined Balance Sheet as Cash and Investments. Short and long-term investments are held by several of the State's funds. All investments are stated at amortized cost except certain real estate and the equity funds of the Public Employes Retirement Fund (PERF) and the equity funds of the Industrial Accident Fund (IAF) which are stated at market value. The PERF is included in Fiduciary Funds; IAF is part of Enterprise Funds.

The State Treasurer is the investment officer for the funds on deposit in the State Treasury. The State's investment policies are governed by State Statutes and the Oregon Investment Council. The State Treasurer may invest in any instrument which persons of prudence, discretion, and intelligence would invest in for their own account (the prudent man rule). State moneys may be deposited in any trust company, savings and loan association or bank or mutual savings bank or branch office in that capacity within the State. The State is authorized to use demand deposits and certificates of deposit. Common stock acquisitions, however, can only be made by PERF and IAF and are limited to 50% of the funds in the PERF and IAF funds. Common stock transactions must be handled by outside money managers who are under contract to the Investment Council.

Some investments are made directly by a state agency rather than by the investment officer. Only a few agencies are authorized to make such investments and then only for certain specific programs.

The State Treasurer maintains an investment pool for local governments. Moneys deposited are comingled with State Funds' cash determined to be in excess of immediate needs and invested in short-term, high liquidity investments. The local governments investments are included in this report.

Deposits.

At June 30, 1988, the state had a book balance of $743,750,000 and a bank balance of $717,143,000 on deposit with financial institutions. Of this amount, $473,013,000 of unemployment compensation trust funds were held in the Federal Reserve Bank of the United States Treasury, $150,787,000 was fully insured by federal depository insurance or insured by the statewide collateral pool which is a multiple financial institution collateral pool which insures public deposits pursuant to ORS 295, and $39,181,000 was uninsured and uncollateralized. There is $54,162,000 cash on deposit at Chase Manhattan Bank in London for the accounts of the International Fund investment managers. These deposits, which are both in foreign currencies and U.S. dollars, are backed by the faith and credit of Chase Manhattan Bank. Although most of the deposits are in interest bearing accounts, they are neither collateralized or insured. the size of the deposits varied throughout the year, depending on the cash requirements of the International Fund investment managers conducting equity trades in the international marketplace.

Investments.

The state's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the state or its agent in the state's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the state's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the state's name.

STATE OF OREGON

INVESTMENTS AS OF JUNE 30, 1988

(Expressed in Thousands)

	Risk Category 1	2	3	Carrying Amount	Market Value
Gov't Securities	$2,894,897	$ —	$ —	$2,894,897	$2,919,375
Common Stock	4,469,896	—	—	4,469,896	4,470,061
Canadian Bonds	170,642	—	—	170,642	167,586
Municipal Bonds	79,601	—	—	79,601	79,642
Bankers Acceptances	80,726	—	—	80,726	80,726
Collateralized Mort. Ob.	191,979	—	—	191,979	194,841
Real Estate Mortgages	617,053	—	—	617,053	617,017
Commercial Paper	1,211,777	—	—	1,211,777	1,211,777
Corporate Bonds	2,051,504	—	—	2,051,504	2,068,837
Repurchase Agreements	118,979	—	—	118,979	118,979
International Equities	705,956	—	—	705,956	705,956
Other	13,833	576	—	14,409	14,409
	$12,606,843	$576	$ —	$12,607,419	$12,649,206
Unclassified:					
Real Estate				292,393	292,393
Levereged Buy Out				423,860	423,860
Venture Capital				65,480	65,480
Mutual Funds				2,792	2,792
Total Investments				$13,391,944	$13,433,731

Repurchase Agreements.

Repurchase agreements are a purchase of securities with a simultaneous agreement to resell those same securities in the future at the same price plus a contract rate of interest. At June 30, 1988, the Enterprise Fund held $73,176,000 and the Special Revenue Fund held $45,803,000 in repurchase agreements. In addition, these investments are made throughout the year for short periods of time.

Reverse Repurchase Agreements.

Reverse repurchase agreements are a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received to provide the dealers with a margin against a decline in market value of the securities. If the dealers default on their obligations to resell these securities to the state or provide securities or cash of equal value, the state would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. At June 30, 1988, there were no holdings of reverse repurchase agreements, but occasionally throughout the year these investments can be made for short periods of time.

Securities Lending Agreements.

The state participates in securities lending agreements whereby securities are loaned to broker/dealers for a fee. The borrowing broker/dealers pledge and maintain collateral. An economic loss could occur if there was a default or if the obligation value exceeded the collatered value. At June 30, 1988, the market value for the securities loans was $966,075,000 and the related collateral was $998,515,000. These amounts are presented on the financial statements.

C. RESTRICTED ASSETS

Cash and investments of $182,822,000 are restricted by various bond indentures and covenants for revenue bonds and $647,968,000 are restricted by various bond indentures and covenants for general obligation bonds of Enterprise Funds.

D. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

(Expressed in Thousands)

	June 30, 1987	Increases	Decreases	June 30, 1988
Land	$133,569	$ 5,333	$ 2,096	$136,806
Buildings	162,454	11,340	1,640	172,154
Improvements	49,381	3,209	90	52,500
Leasehold Improvements	2,524	1,065	1,744	1,845
Capital Leased Property	68	—	46	22
Construction in Process	12,587	7,988	4,631	15,944
Equipment and Machinery	242,047	32,456	14,321	260,182
Data Processing Software	2,425	763	149	3,039
Total	**$605,055**	**$62,154**	**$24,717**	**$642,492**

E. SUMMARY OF PROPRIETARY FUND FIXED ASSETS

A summary of proprietary fund fixed assets at June 30, 1988, follows:

(Expressed in Thousands)

	Enterprise	Internal Service
Land	$ 1,582	$ 337
Buildings	72,431	71,410
Improvements	5,817	6,021
Leasehold Improvements (Net)	170	669
Capital Leases (Net)	111	720
Construction in Process	734	2,392
Equipment and Machinery	32,781	82,226
Data Processing Software (Net)	199	309
Less: Allowance for Depreciation	(54,520)	(66,523)
Total	**$ 59,305**	**$ 97,561**

F. SUMMARY OF COLLEGE AND UNIVERSITY FUND FIXED ASSETS

A summary of college and university fund fixed assets at June 30, 1988 follows:

(Expressed in Thousands)

Land	$ 25,473
Buildings	519,124
Improvements	30,802
Construction in Process	53,506
Equipment and Machinery	392,600
Data Processing Software	2,797
Less: Allowance for Depreciation	(43,609)
Total	**$980,693**

G. TAX REFUND PAYABLE

The balance sheet for the General Fund includes as a payable $37,297,000 which represents General Fund revenue collected during the 1985-87 biennium in excess of the Legislature's approved amount which has not already been returned to taxpayers in the form of a tax credit as of June 30, 1988.

H. PENSION PLAN FOR STATE EMPLOYES

1. Plan Description.

The Oregon Public Employes Retirement System (PERS) is a statewide defined benefit retirement plan for units of state government, political subdivisions, community colleges, and school districts, administered in accordance with Oregon Revised Statutes Chapter 237 by the Public Employes Retirement Board (PERB). PERS is a plan consisting of a cost sharing multiple employer system for state agencies, community colleges and school districts and an agent multiple-employer system for political subdivisions. Participation by units of state government, school districts and community colleges is mandatory whereas participation by most political subdivisions is optional but irrevocable if elected. Smaller pension plans exist for certain judges and the employes of higher education institutions, but the amounts are not material.

The total payroll for the year ended June 30, 1988 was $642,825,249, while total PERS covered payroll was $545,991,000. Substantially all employes are covered because after six months trial service with the state, all employes must belong to PERS. The Oregon PERS collects contributions from both employers and employes for the purpose of funding retirement benefits. Each employe contributes 6% of their salary. The employe's share is either deducted from their salary or is "picked up" by the employer. The system covers approximately 133 thousand State and local government Oregon employes and 50 thousand retired employes or their beneficiaries.

2. Plan Benefits.

The PERS retirement allowance, payable monthly for life, may be selected from seven retirement benefit options. Options include survivorship benefits and lump sum refunds. The basic benefit formula is a percentage (1.67% for general employes and 2.00% for police and fire employes) of a member's final average salary multiplied by the member's number of years of service. Benefits may also be calculated under either a money match or an annuity-plus-pension computation if a greater benefit results. A member will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General employes may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Members with 30 years of service receive unreduced benefits. General employe benefits are reduced if retirement occurs prior to age 58 with less than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with less than 25 years of service.

Upon the death of a nonretired PERS member, the beneficiary receives a lump sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance provided that one or more of the following is true:

- The member was employed by a PERS employer at the time of death.
- The member died within 120 days after termination of PERS-covered employment.
- The member died as a result of injury sustained while employed in a PERS-covered job.
- The member is on an official leave of absence from a PERS-covered job at the time of death.

A member's designated beneficiary may elect to receive a monthly payment for life instead of the lump sum.

A PERS member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes receives a nonduty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a nonduty or duty disability, when determining the monthly benefit, the service time is computed to age 58 (55 for police and fire members).

Monthly benefits are adjusted annually for cost of living changes. Two percent per year is the maximum cost of living adjustment. Periodically, the Oregon Legislative Assembly approves legislation granting ad hoc increases to post retirement benefits.

As described in ORS 237.325, up to $50 toward insurance that provides coverage to supplement to federal Medicare, may be paid for eligible individuals from the Retirement Health Insurance Trust Fund (RHITF). To qualify, individuals must be eligible for federal Medicare coverage, and must be receiving a retirement allowance or benefit. Creditable service is another factor in determining eligibility for postretirement health care benefits. Eligible individuals include:

- a PERS member, retired for service or disability, with eight years or more of creditable service;
- a surviving beneficiary of a deceased PERS member who was eligible at the time of death;

— A retired judge receiving retirement pay under ORS 1.314 to 1.380;

— A person who is receiving a pension under ORS 1.314 to 1.380 as the surviving spouse of a retired judge who was eligible at the time of death.

The 1987 legislature directed the Public Employes Retirement Board (PERB) to credit the RHITF with all contributions to the Public Employes Retirement Fund (PERF) on or after July 11, 1987 until the amount so credited to the RHITF equalled $350 million. The applicable accounts in the Employer Reserve and Member Reserve were reimbursed for contributions to the RHITF through a transfer from the Undistributed Investment Earnings Reserve.

No benefit payments were made from the RHITF during the period.

The PERB may terminate coverage under ORS 237.325 if the number of eligible participants is insufficient to justify its continuation.

3. Funding Requirements.

Member contributions are established by statute at four to seven percent of salary. They are remitted by the participating employers. The contributions are either deducted from the members' salaries or paid by the employers.

Employer contribution rates are determined using an actuarial formula known as the "entry age cost method". Under this method, a "normal cost" rate for each member is calculated. This is the level percentage of salary from entry into the system which will accumulate to an amount sufficient to provide the member's benefit at retirement. After the unfunded supplemental present value created by this method has been determined, the employer contribution rates are established as a level percentage of salary to cover the normal cost and amortize the unfunded amount over a 30-year period, commencing on the actuarial valuation date.

For the 1987 actuarial valuation, the Board has decided to phase-in a recommended employer contribution rate increase, beginning January 1, 1991.

Increasing the benefit formula from 1.67 percent to 2 percent for all service would require increased funding. PERS management estimates that annual employer contributions would have to be increased $106,400,000 through the year 2005.

4. Funding Status and Progress.

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employe service to date. The measure is the actuarial present value of "Credited Projected Benefits". It is intended to help users assess statewide PERS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other systems. The measure is independent of the actuarial funding method used to determine contributions to the PERS.

The pension fund obligation was determined as part of an actuarial valuation at December 31, 1987. Significant actuarial assumptions used to include (a) a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually, (b) additional projected salary increases attributable to seniority/merit, and (c) postretirement benefit increases of 2 percent compounded annually.

At December 31, 1987, the unfunded pension benefit obligation was $628,500,000 as follows:

Pension benefit obligation:

Retirees and beneficiaries currently receiving benefits and terminated employes not yet receiving benefits	$2,871,200,000
Current employes —	
Accumulated employe contributions including allocated investment income	2,315,100,000
Employer—financed vested	2,866,600,000
Employer—financed nonvested	272,100,000
Total pension benefit obligation	$8,325,000,000
Less net assets available for benefits, at book value	7,696,500,000
Unfunded pension benefit obligation	$ 628,500,000

5. Contribution Requirements and Contributions Made.

PERS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as a level percentage of annual covered payroll, coupled with employe contributions, are sufficient to accumulate sufficient assets to pay benefits when due.

The rates for political subdivisions are presented in the aggregate. Actual rates for political subdivisions vary by employer. An additional ad hoc increase of .18 percent was charged to employers' account balances for legislative changes effective in 1986.

Effective January 1, 1988, as adopted by the Board, the rates as a percent of members' salaries, for the employer groups will be: State and Community Colleges 10.22 percent, Schools 11.80 percent; aggregate rates for Political Subdivisions-police and fire 17.53 percent; general service employes 7.52 percent.

Employer contributions for the year were $287,795,014, equivalent to 10.18 percent of the members' aggregate annual salaries of $2,826,023,317. Actual employer rates varied among the employer groups as follows:

	State Agencies and Community Colleges	Schools	Political Subdivisions Police and Fire	General
Normal Cost	7.89%	7.58%	9.94%	5.86%
Unfunded Actuarial Liability	2.13	2.15	3.71	1.03
Ad Hoc Increases	.57	.57	.57	.57
Totals	10.59%	10.30%	14.22%	7.46%

6. Actuarial Cost Method and Assumption.

Employer contribution rates are determined using the entry age actuarial cost method. This method produces an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employes during the current service year) and (2) an amount for amortization of the unfunded actuarial accrued liability over a period of 30 years ending in 2005.

Beginning with the December 31, 1987 actuarial valuation, a change was made to the period over which the unfunded actuarial accrued liability is amortized. The unfunded actuarial liability is amortized over a "rolling" thirty year period commencing on the date of the actuarial valuation. The effect of this change is estimated to reduce required employer contribution rates approximately seven-tenths of one percent annually.

The actuarial valuation as of December 31, 1985, which was used in determining contribution rates for 1988 and 1989, made the following assumptions: (1) a rate of return on the investment of present and future assets of 7.5 percent per annum compounded annually; (2) projected salary increases of 6 percent per year compounded annually due to annual salary increases plus increases due to promotions and longevity; (3) pre- and post-mortality life expectancies of participants based upon several mortality tables, (4) rates of withdrawal from active service before retirement for reasons other than death, rates of disabilities, and expected retirement ages developed on the basis of actual plan experience; (5) rates for extra liabilities resulting from the grandfathering of former plan benefits; (6) and a factor for unused sick leave that is used to increase the final average salary used to calculate retirement benefits.

Significant actuarial assumptions used to compute contribution requirements are essentially the same as those used to compute the standardized measure of the pension obligation discussed above. The major difference is that the pension benefit obligation does not include an additional liability for the actuarial present value of benefits to be earned from future service by current employes.

7. Actuarial Present Value of Accrued Benefits and Projected Benefits.

The December 31, 1987 actuarial valuation of the system reported that the present value of accrued benefits for all nonretired members is fully funded. It also reported that the present value of projected benefits to be earned in future years by present members is not fully funded.

These two segments represent the unfunded actuarial accrued liability. This is the amount by which the accumulated entry age costs for all nonretired members of the System exceed the assets available to meet benefit commitments.

The unfunded actuarial accrued liability is amortized over a "rolling" 30-year period, commencing on the date of the actuarial valuation.

As noted earlier, the use of a "rolling" amortization period is a change from the fixed period ending in 2005 which had been utilized for most employers prior to the December 31, 1987 actuarial valuation. This change had no effect on the actuarial accrued liability at December 31, 1987.

A comparison of the 1987 and 1985 actuarial valuations follows:

	Expressed in Millions	
	12-31-87	12-31-85
Present Value of Accrued Benefits (earned and non-forfeitable)	$(2,028.1)	$(1,994.8)
Present Value of Projected Benefits to be Earned in Future Years by Present Members	2,909.9	2,506.8
Total Unfunded Actuarial Accrued Liability	$ 881.8	$ 512.0

The residual equity transfer to create the Retirement Health Insurance Trust Fund was the most significant factor leading to the increase in the unfunded actuarial liability.

Statement on Financial Accounting Standards. (SFAS) 35 requires pension plans to recognize the present value of accrued benefits attributable to member's service as of a specified date. National Committee on Governmental Accounting Standards (NCGAS) 6 requires pension plans to recognize the present value of projected benefits. Projected benefits represent accrued benefits plus benefits based on future compensation as projected to retirement. For financial reporting purposes, PERS reports actuarial liabilities for accrued benefits. PERS will continue this practice until the conflict between SFAS 35 and NCGAS 6 is resolved.

8. Loans to Covered Employers.

PERS has not made any loans to covered employers in the form of notes, bonds, or other debt instruments.

9. Historical Trend Information.

Historical trend information designed to provide information about Oregon PERS' progress made in accumulating sufficient assets to pay benefits when due is presented below.

OREGON PERS
PUBLIC EMPLOYES RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
REVENUE BY SOURCE AND EXPENSES BY TYPE

Revenues by Source

Year	Employe Contributions	Employer Contributions	Investment Income	Other Income	Total
1978	$ 84,897,000	$112,859,000	$ 100,419,000	$ 216,000	$ 298,391,000
1979	94,013,000	143,921,000	211,183,000	239,000	449,356,000
1980	102,590,000	182,055,000	360,449,000	321,000	645,415,000
1981	112,984,000	210,990,000	107,044,000	357,000	431,375,000
1982	135,134,000	265,686,000	470,731,000	320,000	871,871,000
1983	126,863,000	256,745,000	661,459,000	386,000	1,045,453,000
1984	166,680,000	235,312,000	296,665,000	418,000	699,075,000
1985	147,294,000	261,730,000	992,100,000	393,000	1,401,517,000
1986	152,358,000	273,091,000	1,226,755,000	428,000	1,652,632,000
1987	160,488,000	287,795,000	545,118,000	53,000	993,454,000

Expenses by Type

Year	Benefits	Administrative Expenses	Refunds	Total
1978	$ 67,510,000	$1,500,000	$19,505,000	$ 88,515,000
1979	75,816,000	1,638,000	22,300,000	99,754,000
1980	93,071,000	1,950,000	23,622,000	118,643,000
1981	110,327,000	1,957,000	26,064,000	138,348,000
1982	133,440,000	2,277,000	24,670,000	160,387,000
1983	155,741,000	2,580,000	25,257,000	183,578,000
1984	177,987,000	2,756,000	30,011,000	210,754,000
1985	206,806,000	2,905,000	30,630,000	240,341,000
1986	237,541,000	3,648,000	27,577,000	268,766,000
1987	274,081,000	4,407,000	29,308,000	307,796,000

10. Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll.

OREGON PERS
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS

(IN MILLIONS OF DOLLARS)

Year	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded Pension Benefit Obligation (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligat. as a Percentage of Covered Payroll (4)/(5)
1985	5,824.2	6,456.5	90.2%	632.3	2,489.8	25.4%
1987	7,696.5	8,325.0	92.5%	628.5	2,826.0	22.2%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of Oregon's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of Oregon's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

I. DEFERRED COMPENSATION

A deferred compensation program was authorized under Internal Revenue Code Section 457 and ORS 243.400 to 243.495. It is a benefit available to all state employes wherein they may execute an individual agreement with the state for amounts earned by them to be paid at a future date. Participants in the program are not required to pay federal and state income taxes on the deferred earnings until it is received. Participants cannot receive the funds until certain circumstances are met. These circumstances are termination by reason of death; disability; resignation; or retirement. Payments to participants may be made over a period not to exceed the life expectancy of the participant and/or spouse. Employes of higher education institutions can opt to participate in external deferred compensation plans that are not included in this discussion.

Moneys accumulated by the State under its deferred compensation plan have been transferred to the Executive Department for deposit with various financial institutions and insurance companies. These deposits are not subject to the collateral requirements of Oregon Law. Moneys accumulated by the State under the deferred compensation program represent a general liability of the State to its employes whose rights are equal to but not greater than the rights of other general creditors with respect to such amounts.

The deferred compensation activity is included in Agency Funds. The investments are valued at market and total $95,722,000 at June 30, 1988.

J. COMPENSATED ABSENCES

It is the State's policy to record the cost of employe leave at the time the leave is paid. Employe leave includes vacation leave, sick leave, compensatory time, and personal leave.

Only vacation leave and some compensatory time meet the criteria to qualify for compensated absences disclosure:

1. The employe's right to receive compensation is based on services already rendered;
2. Rights are vested and accumulate;
3. Payment of the compensation is probable; and
4. The amount can be reasonably estimated.

The liability for compensated absences is calculated by each agency based on current salary costs and a cost of living increase as of July 1, 1988. The total liability is $56,281,000.

K. SHORT-TERM DEBT

At June 30, 1988, Veteran's Affairs tax notes payable represents $170,000,000 in State of Oregon, General Obligation, Veterans' Tax Notes Series 1987, dated November 5, 1987, and due November 1, 1988. The tax notes were issued at an average interest cost of 7.08 percent. The tax notes were issued in order to provide funds to the Department and to make property tax payments to the counties of the State on behalf of the Department's mortgagors.

L. LONG-TERM DEBT

1. Changes in Bonded Debt

STATE OF OREGON
SUMMARY OF CHANGES IN BONDED DEBT OUTSTANDING

(Expressed in Thousands)

	BONDS OUTSTANDING JULY 1, 1987	DEBT INCURRED THIS YEAR	DEBT REDUCED THIS YEAR	BONDS OUTSTANDING JUNE 30, 1988
General Obligation Bonds				
General Fund Obligations				
Community College Bonds	$ 30,780	$ —	$ 1,600	$ 29,180
Higher Education Facilities Bonds	52,286	5,932	6,686	51,532
Total General Fund Obligations	$ 83,066	$ 5,932	$ 8,286	$ 80,712
Dedicated Fund Obligations				
Oregon Veterans' Welfare Bonds	$5,655,043	$ —	$232,640	$5,422,403
Higher Education Project Bonds	91,738	53,503	14,953	130,288
Oregon State Highway Bonds	30,400	—	3,300	27,100
Elderly Housing Bonds	97,545	3,475	495	100,525
Water Resources Bonds	23,113	—	1,110	22,003
Alternate Energy Bonds	130,290	31,800	2,650	159,440
Pollution Control Bonds	121,175	—	9,100	112,075
Total Dedicated Fund Obligations	$6,149,304	$ 88,778	$264,248	$5,973,834
Total General Obligation Bonds	$6,232,370	$ 94,710	$272,534	$6,054,546
Revenue Bonds				
Oregon State Highway Bonds	$ —	$ 80,000	$ —	$ 80,000
State Fair Bonds	6,500	—	—	6,500
Housing Bonds	485,090	47,545	52,173	480,462
Total Revenue Bonds	$ 491,590	$127,545	$ 52,173	$ 566,962
Total Obligation	$6,723,960	$222,255	$324,707	$6,621,508
Bond Discount				(30,756)
Bond Premium				12,142
Accreted Interest				11,529
Total Liability Reported				**$6,614,423**

2. Demand Bonds

Included in long-term debt is $740,000 thousand general obligation demand bonds backed by the full faith and credit of the State of Oregon.

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest. The remarketing agents are authorized to use their best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. In the event bonds cannot be remarketed, they will be purchased with funds from an irrevocable letter of credit. Under irrevocable letters of credit issued by eight Japanese Banks, the Fiscal Agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it and 210 days of interest. The letters of credit are valid through December 19, 1995. The letters of credit may be extended upon the mutual agreement of the parties involved. The principal amount of drawings made to pay the purchase price of tendered bonds that have not been remarketed is required to be repaid on or before the earliest of (a) the tenth anniversary of

the date of the drawing, (b) the second anniversary of the termination of such Credit Bank's Letter of Credit, or (c) the date on which a Letter of Credit Event of Default has occurred. Additionally, upon the remarketing of any bonds held by a Credit Bank, the remarketing proceeds shall be paid over to the Credit Bank in repayment of the drawing made on the Credit Bank's Letter of Credit in respect of such bonds.

A commitment fee of 11/16 of 1 percent on the series commitment amount and an agent fee of $25,000 is required to be paid semiannually for the letter of credit.

Series 73 bonds with Department of Veteran's Affairs have a maturity value of $740,000,000. Because they have variable interest rates, the interest requirements are included at an assumed interest rate of 6 percent. For each change of 1 percent in Series 73 interest rate, annual interest requirements would change by approximately $7,400,000.

3. No-Commitment Bonds

No-commitment long-term debt refers to revenue bond debt issued to finance public purpose expenditures intended for beneficial ownership by private entities. Such debt bears the name of the State but is secured solely by the credit of the private entity and usually is serviced and administered by a trustee independent of the State.

The Economic Development Department has issued $328,857,000 of no-commitment long-term debt as of June 30, 1988. Of this amount, $192,349,000 is still outstanding and is not included in the financial statements.

4. STATE OF OREGON SUMMARY OF GENERAL OBLIGATION BOND DEBT SERVICE

(Expressed in Thousands)

FISCAL YEAR	AMOUNT
1989	$ 686,725
1990	685,791
1991	693,220
1992	674,872
1993	667,066
1994—1998	3,050,290
1999—2003	2,085,165
2004—08	1,366,900
2009—13	853,448
2014—18	780,836
2019—23	231,655
2024—28	13,906
TOTAL	$11,789,874

5. STATE OF OREGON SUMMARY OF REVENUE BOND DEBT SERVICE

(Expressed in Thousands)

FISCAL YEAR	AMOUNT
1989	$ 68,371
1990	50,239
1991	50,271
1992	50,226
1993	48,279
1994—1998	293,588
1999—03	204,561
2004—08	213,800
2009—13	169,028
2014—18	42,751
2019—23	275
TOTAL	$1,191,389

6. Advance Refundings

In June, 1988, the Department of Higher Education issued $20,725,000 in general obligation bonds to advance refund $12,445,000 of series 1980 and 1985 A bonds.

In July, 1985, the Department of Higher Education issued $11,925,000 in general obligation advance refunding bonds to advance refund $11,390,000 of series 1982A bonds. In August 1978, outstanding bonds were defeased.

At June 30, 1988, the following outstanding bonds were considered defeased:

Series 1975 F	$ 1,265,000
Series 1975 A	1,350,000
Series 1975 C	5,555,000
Series 1982 A	10,715,000
Series 1980 C	8,615,000
Series 1985 A	3,830,000

The following schedules show the Cash Flow Difference and the Economic Gain resulting from our 1988-B advance refunding bonds.

Cash Flow Difference		
Old debt service cash flows		$24,469,000
New debt service cash flows	$21,540,000	
Less accrued interest included in 8-1-88 payment	(25,000)	
Net new debt service cash flows		21,515,000
Cash flow difference		**$ 2,954,000**
Economic Gain		
Present value of old debt service cash flows		$13,978,000
Present value of new debt service cash flows	$13,624,000	
Less accrued interest included in 8-1-88 payment	(25,000)	
Present rate of new debt service - net		13,599,000
Economic Gain		**$ 379,000**

The money from the sale of the advance refunding bonds was placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The amount of such purchases including their interest rates and maturity dates has provided funds to pay the interest and principal when due on the refunded bonds to and including the dates irrevocably fixed for redemption and to pay the principal amounts of the refunded bonds to be redeemed on such irrevocable redemption dates.

In prior years, the Department of Veterans' Affairs defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. At June 30, 1988, $231,600,000 of bonds outstanding are considered defeased.

On October 11, 1983, Water Resources $16,115 thousand bond issue was defeased. Securities necessary to retire the bonds were purchased and in the hands of a trustee at that date.

M. INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund receivables and payables at June 30, 1988, follows:

(Expressed in Thousands)

	Receivables	Payables
General Fund	$ 98,334	$ 53,669
Special Revenue Funds	54,674	72,273
Debt Service Funds	248	—
Capital Projects Funds	1,536	212
Enterprise Funds	17,751	35,657
Internal Service Funds	52	23,957
Trust and Agency Funds	431,447	428,973
College and University Funds	10,855	156
Total	$614,897	$614,897

N. ADVANCES TO/FROM OTHER FUNDS

1. Summary

Advances are noncurrent loans within the reporting entity. The State of Oregon has arranged various advances between funds and account groups:

(Expressed in Thousands)

	Advances to Other Funds	Advances from Other Funds
General Fund	$56,229	$13,413
Special Revenue Fund	658	51,215
Debt Service Fund	—	106
Enterprise Fund	19,385	5,493
Internal Service Fund	—	5,745
Colleges and University Funds	—	300
	$76,272	$76,272

2. Senior Citizen's Tax Deferral

The General Fund has advanced to the Special Revenue Fund $50,981,000 for the Senior Citizens Tax Deferral Program. To date no provision has been made to settle this advance. In addition, interest of $16,407,000 has accrued. Because plans have not been made to repay the advance, the interest liability has not been included in the report.

3. Transfer of Funds from the Oregon War Veterans' Sinking Fund to the State General Fund

By opinion dated June 15, 1988, (Op Atty Gen No. 8193), the Oregon Attorney General determined that the Oregon General Fund owes the Oregon War Veterans' Sinking Fund approximately $8,018,000 in principal, based on unauthorized legislative transfers from the Veterans' Sinking Fund in December 1952 (approximately $2,500,000) and in June 1963 $5,518,000). According to the Attorney General's opinion, the "interest" to be paid on these amounts equals the rate earned by the State Treasurer on the Treasurer's investments of excess cash in the State Treasury belonging to General Fund agencies during the period from each of the respective diversions from the Veterans' Sinking Fund to the Oregon General Fund.

The total accumulated liability, including principal, to the General Fund as of June 30, 1988, from the 1952 and 1963 transfers is $54,332,000.

The Attorney General's opinion also indicated that between 1966 and 1977, there were legislatively directed diversions from the Veterans' Sinking Fund to the General Fund. Additionally, new facts indicate that money was also appropriated from the Veterans' Fund by the legislature for use in paying General Fund obligations related to administrative costs of providing DVA services from 1951 to the present. These diversions totalled $3,456,000. Because these appropriations were not authorized constitutionally until 1977, transfers prior to 1977 must be repaid.

The total accumulated liability, including principal and interest, to the General Fund as of June 30, 1988, from the diversions between 1966 and 1977, and the money appropriated from the Veterans' Fund from 1951 to 1977 for administrative costs of providing DVA services is $68,840,000. The opinion further explained that repayment of principal and interest may be made only when and in the manner authorized by action of the Oregon Legislative Assembly. Interest continues to accrue at the state's short-term investment post-earnings rate until repayment.

The total principal and interest of $68,840,000 is reported as a liability of the General Fund and asset in the Enterprise Fund. The amount owed at June 30, 1988, is reported as an extraordinary item in both the Enterprise Fund and General Fund operating statements.

O. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The State maintains many enterprise activities which provide mortgage loans to veterans, mortgage loans to low income families and for multi-unit housing, health care, insurance, lotteries, liquor control, and other services. Segment information for the year ended June 30, 1988 was as follows:

(Expressed in Thousands)

	Housing	Veterans' Affairs	Lottery	OLCC	SAIF	All Other
Operating Revenues	$ 55,119	$ 441,902	$161,457	$151,146	$ 350,082	$ 90,307
Depreciation and Amortization	35	483	386	333	2,213	2,608
Operating Income (Loss)	1,877	8,254	55,517	41,311	(42,876)	(65,316)
Operating Transfers In	—	8	—	—	—	122,892
Operating Transfers Out	300	—	54,142	41,290	—	33,952
Net Income (Loss)	1,577	77,102	1,375	21	12,603	23,624
Capital Contributions and Residual Equity Transfers	—	—	—	—	—	819
Property, Plant, and Equipment:						
Additions	26	129	299	609	1,253	3,047
Deletions	8	8	—	37	977	269
Net Working Capital	153,918	789,090	(3,330)	16,242	1,198,968	93,427
Total Assets	662,791	5,687,180	23,165	39,329	1,319,857	357,215
Bonds and Other Long-Term Liabilities:						
Payable from Operating Revenues	542,119	5,192,915	153	243	1,017,143	188,590
Total Equity	$ 49,551	$ (33,516)	$ (1,987)	$ 19,591	$ 200,405	$ 95,364

P. INSURANCE

The Risk Management Division, Department of General Services administers property and casualty insurance programs for state agencies. The following statewide insurance coverages are provided to all state agencies:

The Insurance Fund established under ORS Chapter 278 provides insurance for loss or damage to state property caused by specified perils. A commercial reinsurance policy with limits of $200,000,000 provides financial stability to the Fund in the event of catastrophic losses.

The Insurance Fund also provides insurance for Tort liability claims brought against the state and its officers, employes and agents under ORS 30.260 to ORS 30.300. Insurance coverage is also provided by the Fund for vehicle liability arising out of the use of owned, leased or controlled vehicles.

The Insurance fund liabilities are reported using the full cost valuation method.

ORS 30-270 limits the liability of the state and its officers, employes and agents to:

1. $50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages arising out of single accident or occurrence.

2. $100,000 to any claimant for all other claims arising out of a single accident or occurrence.

3. $300,000 for any number of claims arising out of a single accident or occurrence.

All employes, including elected officials and members of boards and commissions, are covered under a blanket honesty and faithful performance bond. The current bond provides indemnity limits of $5,000,000 per occurrence.

The Department of General Services administers the procurement of workers' compensation insurance for the state from SAIF Corporation.

Various specific commercial insurance policies are purchased when an agency has a particular insurance requirement not covered by the Insurance Fund.

The long-term liabilities of the Insurance Fund include $27,324,000 in reported insurance claims, unreported (but anticipated) claims, and legal expense relative to the claims. The estimates for unreported claims were determined using historical data.

Q. SAIF CLAIM LOSS LIABILITY

The liability for claim and claim adjustment expenses is based on past experience and includes provision for reported claims, claims incurred but not reported, and claims that are currently considered to be closed but which experience indicates will be reopened.

SAIF follows the practice of discounting claim reserves to their present value. SAIF followed the reserving methodology of discounting all indemnity at 7 percent and all medical at 3.5 percent. This is a change in method from that used in 1987 when the practice was to discount all indemnity at 7 percent, but not to discount medical at all.

R. COMMITMENTS AND CONTINGENCIES

1. Commitments

College and University Fund capital project commitments at year end totaled $27,473,000. Other capital project commitments as of June 30, 1988, were approximately $9,710,000. Commitments of the Special Revenue Fund to be paid from federal moneys totalled $371,000,000 at June 30, 1988.

Some of the buildings such as the one occupied by the Employment Division, were either paid for or were leased utilizing, at least in part, federal funds which may create a federal equity in the property. Any federal equities in the State's fixed assets cannot be determined at this time and are not reflected in this report.

2. Leases

Financial reporting and accounting procedures differ between operating leases and capital leases. Operating leases are rental agreements, and payments are chargeable as rent in the services and supplies expenditure category. Capital leases are treated similar to purchases on contract. The property is capitalized at the present value when the lease is incurred and a corresponding liability is recorded.

If the Oregon Legislature should disallow the necessary funding for particular leases, all lease agreements contain termination clauses which provide for cancellation of the lease at the end of a fiscal year.

The liability for capital leases of real property is included in the financial report.

The State has entered into various leases for real property and personal property.

Personal property operating leases and capital leases are incurred at the agency level. Payment information for leases of personal property was not determinable at the time of this report.

The minimum future lease payments of real property for the next five years are (amounts in thousands):

(In Thousands)	Capital Leases	Operating Leases	Annual Total
Fiscal year ending:			
June 30, 1989	$ 320	$17,890	$18,210
June 30, 1990	191	15,031	15,222
June 30, 1991	191	12,579	12,770
June 30, 1992	173	9,976	10,149
June 30, 1993	165	7,486	7,651
Thereafter	80	14,503	14,583
Total	$1,120	$77,465	$78,585

Lease obligations decrease each year because of lease expirations. It is expected these leases will be replaced with leases which have higher rental rates due to inflationary pressures.

3. Unemployment Benefits

State departments are subject to the Department of Employment Act. State employes who qualify are entitled to benefit payments during periods of unemployment. Each state department is required to reimburse the Employment Division for benefit payments made to their former employes. There appears to be no practical method of estimating the amount of future benefit payments which may be made to former employes for wage credits earned prior to June 30. Consequently, this potential obligation is not included in the accompanying financial statements. However, the total expenditure for the year is $3,454,000.

4. Pending Litigation

Pending Litigation as of June 30, 1988 included:

a. **Alsea Veneer, Inc., et al v. State of Oregon, et al; ABC Roofing Co., Inc., et al v. State of Oregon, et al** — Two class action lawsuits were filed in September 1988, seeking damages in behalf of workers' compensation policyholders arising from the 1983 transfer of $81 million from the Industrial Accident Fund to the State General Fund. At this time, no estimate is available concerning the potential liability of or range of potential loss to the General Fund. The Attorney General's Office is unable to predict the ultimate outcome of these lawsuits.

b. **Metropolitan Life Insurance Co. and Others** — Out of state insurance companies filed petitions seeking rulings from the Oregon Insurance Commissioner that they were entitled to refunds on taxes paid on gross premiums. These claims aggregate in excess of $30,000,000, as of June 30, 1988, for taxes paid through 1987.

c. **Potential Job Training Partnership (JTPA) Claim** — The Attorney General believes the federal government may seek state repayment based on a review of less than half of the JTPA training agreements. Preliminary estimates are that as much as $13 — 15 million in state repayment may be at risk.

d. **USA v Oregon** — This case is pending in U.S. District Court, and is a challenge to conditions at Fairview Training Center. Although no damages are sought in this specific case, compliance with the injunction the plaintiff seeks would likely cost several million dollars a year. It is not possible to estimate the likelihood of an unfavorable outcome.

e. **Beverly Enterprises v State** is pending in Washington County Circuit Court. The case involves a challenge to the rates that the state pays nursing homes for caring for Medicaid patients. A loss in this case would require significantly increased payments to nursing homes for services rendered in prior years, estimated to be as much as $5 million. On the other hand, the federal government pays about 61% of Medicaid costs, and would thus have to absorb the long half of any loss. The court has just announced it will rule in favor of the plaintiffs although the State anticipates appealing that decision. The eventual outcome is uncertain.

f. **Oregon Association of Hospitals v Department of Human Resources** — This case is pending in U.S. District Court. This case is a challenge to rates paid to hospitals for caring for Medicare patients. The same comments previously made about Beverly Enterprises are applicable here, i.e., that a loss would have a considerable fiscal impact, but that the federal government would be responsible for most of it, and that it is not now possible to estimate the likelihood of an unfavorable outcome.

g. **Union Pacific v. Oregon Public Utility Commission** — The Union Pacific Railroad seeks a refund and an injunction against the state's collection of a regulatory levy that funds the state rail safety regulatory program. The U.S. District Court for the District of Oregon enjoined the collection of the tax, and the state has appealed to the U.S. Court of Appeals for the Ninth Circuit. The railroad paid approximately $500,000 in protest, so that amount plus interest is at risk, although repayment will be paid out of that fund rather than the state General Fund. Because an adverse ruling would affect amounts paid the state by other railroads, the total refund exposure may approximate $2 million.

5. Federal Grants

The State of Oregon has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the State of Oregon.

Institutions of higher education and other state agencies are required to comply with various federal regulations issued by the Office of Management and Budget, if such agencies are recipients of federal grants, contracts, or other sponsored agreements. Certain state agencies may not be in total compliance with these regulations. Failure to have complied with certain systems requirements of these regulations may result in questions concerning the allowability of related direct and indirect charges pursuant to such agreements. A recent federal audit of the Highway Division found that Highway had failed to comply with certain federal regulations relating to its financial management systems. In response to the audit, Highway has instituted a program of corrective action. If the corrective action is not successful, the resulting disallowance could be material to the overall financial condition of the State of Oregon. We believe that any other ultimate disallowances pertaining to these regulations, if any, will be immaterial to the overall financial condition of the State of Oregon.

6. Job Training Partnership Act

The Job Training Partnership Act of 1982 (JTPA) requires all recipients to accept responsibility for repayment of federal funds that are expended in violation of its provisions. The potential liability to the federal government for repayment of potentially disallowed expenditures has been limited by an Attorney General Opinion to the current unaudited expenses — a 12 month period. The prior years financial statements reported a potential liability in the General Fund equal to the amount of federal funds requested. The potential liability at June 30, 1988 was $37,000,000.

Currently, it is not probable that a loss contingency exists. Therefore, no amount has been reported as a liability on the financial statements.

7. Retrospective Workers Compensation Liability

The retrospective insurance plan purchased from the State Accident Insurance Fund (SAIF), for fiscal year 1986-87 will not close sooner than January 1, 1992. These plans normally have five annual audits starting six months after the expiration date of the policy. The first audit was completed April 1, 1988, which resulted in an additional payment of $483,000 to SAIF. As of June 30, 1988, $4,827,000 is the maximum potential liability remaining for the 1986-87 plan. However, the amount that will ultimately be paid cannot be reasonably estimated at this time.

A standard coverage plan was purchased for fiscal year 1987-88. There is no remaining liability for that plan.

8. Retirement Health Insurance Trust (RHITF)

As described in note H.2., the 1987 Legislature created the RHITF. The State Attorney General has concluded that the method used to fund the RHITF violated PERS members' contractual and trust rights and that "... The state must remedy that breach, by restoring the diverted moneys plus earnings to the retirement fund or otherwise making the injured PERS member whole ..." Based on the opinion, an amount due from RHITF to PERF of $371,279,000 at June 30, 1988, consisting of $350 million employer and employe contributions transferred and $21,279,000 investment earnings on RHITF trust funds is accrued.

Current RHITF expenditures are approximately $805,000 per month. The 1989 Legislature has proposed legislation to remedy that breach.

9. State Income Tax on Retirement Benefits

The State of Oregon Attorney General, in an opinion dated May 10, 1989, concluded there is a potential General Fund liability to Oregon taxpayers for income taxes paid on retirement income. Oregon has a state income tax law under which the benefits received by retirees in the Oregon Public Employes Retirement System (PERS) are exempt from state income tax, while federal retirement benefits paid to Oregon residents are not fully exempt.

If this inequity is corrected by the 1989 Oregon Legislative Assembly the State of Oregon would not be liable for refunds to federal retirees for taxes paid in prior years. At this time, no estimate can be made concerning the potential liability or range of potential loss to the General Fund, because the Legislative Assembly has not enacted legislation to address this issue.

S. SUBSEQUENT EVENTS

1. The following bonded debt has been incurred since June 30, 1988:

a. October 1988, Department of Veterans' Affairs, Veterans' Tax Notes, $135,000,000.

b. July 1988, Department of Higher Education, Certificates of Participation, $2,350,000.

c. July 1988, Department of General Services, Certificates of Participation, $8,635,000.

d. October 1988, Department of Higher Education, Certificates of Participation, $21,135,000.

e. November 1988, Department of Higher Education, General Obligation Bonds, $26,225,000.

f. January 1989, Department of Energy, General Obligation Bonds, $11,700,000.

g. March 1989, Oregon Housing Agency, Revenue Bonds, $27,545,000.

h. May 1989, Oregon Housing Agency, General Obligation Bonds, $7,000,000.

i. May 1989, Department of Higher Education, Certificates of Participation, $1,575,000.

2. Housing Agency, Single-Family Mortgage Program Bonds in the amount of $27,650,000 were called on July 1, 1988, from unexpended proceeds from the 1985 A and B series and from the excess pre-payments from the 1982 A Series.

3. Prepaid Insurance

On August 11, 1988, the DVA terminated a portion of the interest rate cap agreement on the Series 73 bonds. In exchange for $4,125,000 Cargill, Incorporated stopped coverage on a $165,000,000 notional amount. This transaction resulted in a realized loss of $2,292,000, which is the difference between the book value of the terminated portion of the cap and the amount received. On April 25, 1989, the DVA sold the remaining caps for $5,200,000.

T. EXTRAORDINARY ITEMS

$68,840,000 is reported as an extraordinary gain to the Enterprise Fund and extraordinary loss to the General Fund. This relates to the Veterans' Sinking Fund transfers fully described in Note N.3.

U. GAIN CONTINGENCY

The Department of General Services is seeking $1,200,000 for lost interest on funds advanced for acquisition of the GTE phone system. The ultimate outcome is not determinable at this time.

V. DEFICIT RETAINED EARNINGS AND FUND BALANCES

The following enterprise funds showed a deficit retained earnings at June 30, 1988 (amounts in thousands):

Dept. of Veterans Affairs	$33,516
Lottery Commission	1,987
Water Resources	831

The following internal service fund showed a deficit retained earnings at June 30, 1988 (amounts in thousands):

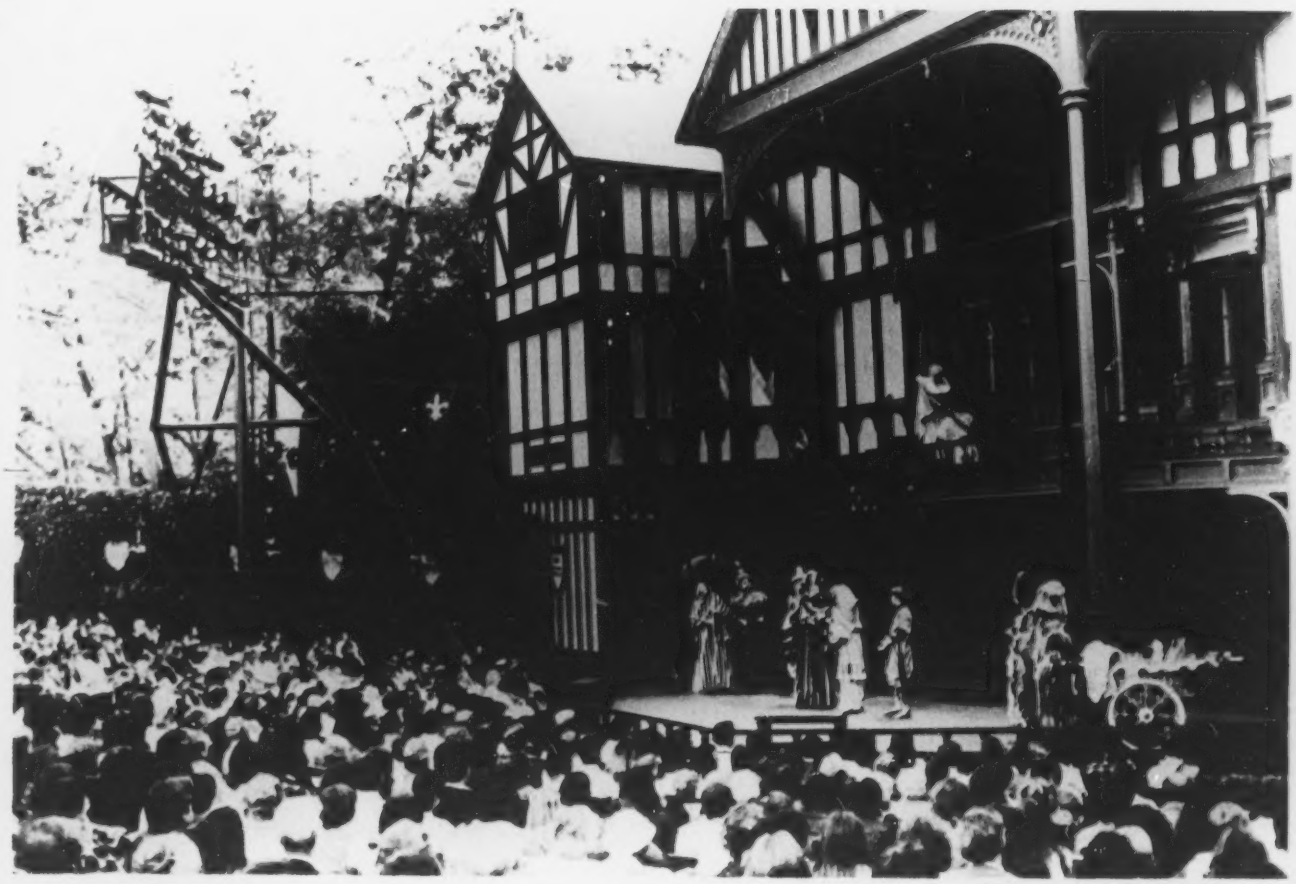
Pen Industries	1,322

The following expendable trust fund showed a deficit fund balance at June 30, 1988 (amounts in thousands):

Retirement Health Insurance Trust Fund	780

This page intentionally left blank

COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS AND SCHEDULES



The Oregon Shakespearean Festival was founded in 1935 but its roots had its beginnings with the Chautaugua movement in the latter part of the last century.

In 1983, the Festival received the Antoinette Perry (Tony) award for Outstanding Regional Theatre and the National Governors' Association Award. In 1986, the festival's volunteers, who number more than 900, received the President's Volunteer Action Award in Washington, D.C.

The Festival marked its 50th anniversary in 1985. It is among the six largest not-for-profit theatres in the country.

Photos Courtesy of
Oregon Shakespearean Festival

GENERAL FUND

The General Fund accounts for ordinary operations financed by appropriations from general revenues and used for general governmental purposes.

STATE OF OREGON
BALANCE SHEET
GENERAL FUND
JUNE 30, 1988

(Expressed in Thousands)

	JUNE 30, 1988	JUNE 30, 1987
ASSETS		
Cash and Investments	$120,521	$289,939
Receivables	19,196	6,930
Interfund Receivables	98,334	30,142
Taxes Receivable	135,398	166,425
Inventories	11,671	11,629
Prepaid Expenses	37	28
Contracts, Mortgages, and Notes Receivable	-	90
Advances to Other Funds	56,229	57,098
Total Assets	$441,386	$562,281
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	$101,795	$283,798
Interfund Payables	53,669	53,544
Due to Other Governments	4,502	3,687
Deferred Income	78,355	106,551
Vacation Payable	4,016	3,431
Interest Payable	57,366	-
Advance from Other Funds	13,413	-
Total Liabilities	$313,116	$451,011
Fund Balances		
Fund Balances:		
Reserved for Inventories	$ 11,671	$ 11,629
Reserved for Advances to Other Funds	56,229	57,098
Reserved for Encumbrances	30,195	-
Reserved - Other	38	30
Unreserved - Designated for Contingencies	-	41,185
Unreserved and Undesignated	30,137	1,328
Total Fund Balances	$128,270	$111,270
Total Liabilities and Fund Balances	$441,386	$562,281

Prepared without audit

STATE OF OREGON
STATEMENT OF REVENUES
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,	
	1988	1987
Revenues		
Income Taxes	$1,641,052	$1,366,493
Selective Sales and Use Taxes	69,071	68,092
Gross Receipts Business Taxes	55,441	52,918
Inheritance and Gift Taxes	12,982	34,712
Severance Taxes	2,054	1,967
Business Licenses and Fees	5,386	5,474
Nonbusiness Licenses and Fees	11,733	13,739
Federal Revenues	59	101
Charges for Services	2,713	2,594
Fines and Forfeitures	11,748	9,875
Rents and Royalties	130	135
Interest and Investment Income	32,480	20,666
Sales Income	2,131	2,911
Other Revenues	2,521	8,405
Total Revenues	$1,849,501	$1,588,082
Other Financing Sources (Uses)		
Operating Transfers-in	28,742	28,099
Operating Transfers-out	(958,956)	(958,270)
Loan Repayments/Proceeds	(868)	11,129
Leases Incurred	277	2,985
Extraordinary Gain (Loss)	(68,840)	-
Net Revenues	$ 849,856	$ 672,025

Prepared without audit

STATE OF OREGON
STATEMENT OF EXPENDITURES
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30, 1988	1987
EXPENDITURES BY CATEGORY		
Personal Services	$303,309	$286,162
Services and Supplies	120,152	103,231
Capital Outlay	11,359	10,552
Special Payments	396,741	344,827
Debt Service	476	1,343
Total Expenditures by Category	$832,037	$746,115
EXPENDITURES BY PROGRAM		
Economic Development and Consumer Services	$ 19,688	$ 17,608
Education	109,906	105,591
Human Resources	467,649	404,894
Natural Resources	27,867	25,803
Public Safety	60,348	54,392
Transportation	4,606	5,085
Administration and Support	44,565	41,502
Legislative	11,415	15,756
Judicial	85,993	75,484
Total Expenditures by Program	$832,037	$746,115

Prepared without audit

STATE OF OREGON
STATEMENT OF CHANGES IN FUND BALANCES
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30, 1988	1987
Fund Balances - Beginning	$ 111,270	$ 232,113
Prior Period Adjustments	-	(48,185)
Fund Balances - Beginning - As Restated	$ 111,270	$ 183,928
Revenues and Other Financing Sources (Uses)	849,856	672,025
Expenditures	(832,037)	(746,115)
Changes in Reserves		
Increase (Decrease) in Reserved for Advances to Other Funds	(870)	919
Increase (Decrease) in Reserved for Inventories	42	501
Increase in Reserved - Other	9	12
Fund Balances - Ending	$ 128,270	$ 111,270

Prepared without audit

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Income Taxes	$3,129,971	$1,450,830	$1,679,141
Selective Sales and Use Taxes	133,756	69,071	64,685
Gross Receipts Business Taxes	110,320	55,441	54,879
Inheritance and Gift Taxes	21,900	12,982	8,918
Severance Taxes	4,163	2,054	2,109
Business Licenses and Fees	11,401	5,386	6,015
Nonbusiness Licenses and Fees	26,267	11,733	14,534
Federal Revenues	-	59	(59)
Charges for Services	5,571	2,677	2,894
Fines and Forfeitures	24,750	12,115	12,635
Rents and Royalties	-	130	(130)
Interest and Investment Income	51,000	32,480	18,520
Sales Income	-	2,131	(2,131)
Other Revenues	6,173	2,447	4,326
Total Revenues	$3,525,872	$1,659,536	$1,866,336
Expenditures			
Personal Services	$ 642,401	$ 302,657	$ 339,744
Services and Supplies	234,892	121,717	113,175
Capital Outlay	21,688	11,014	10,674
Special Payments	2,179,571	1,078,010	1,101,561
Total Expenditures	$3,078,552	$1,513,398	$1,565,154
Excess (Deficiency) of Revenues over Expenditures	$ 447,320	$ 146,138	$ 301,182
Other Financing Sources (Uses)			
Operating Transfers-in - Interfund	64,403	28,742	35,661
Operating Transfers-out - Interfund	(653,610)	(273,282)	(380,328)
Excess (Deficiency) of Revenues over Expenditures and Other Uses	$ (141,887)	$ (98,402)	$ (43,485)
Fund Balances Beginning		111,270	
Transactions Recorded During The Year But Charged To Prior Biennia:			
Revenues		(1,749)	
Expenditures		(6,568)	
Extraordinary Gain(Loss)		(68,840)	
Increase (Decrease) in Reserves			
Advances to Other Funds		(870)	
Inventories		42	
Other		9	
GAAP Reclassification of Fund Balances		193,378	
Fund Balances Ending		$ 128,270	

Prepared without audit

SPECIAL REVENUE FUND

Special Revenue Funds account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulations.

STATE OF OREGON
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1988

(Expressed in Thousands)

	ECON. DEV. & CONSUMER SERVICES	EDUCATION	HUMAN RESOURCES	NATURAL RESOURCES
ASSETS				
Cash and Investments	$180,122	$ 15,207	$ 46,809	$ 46,663
Cash and Securities Held in Trust	150	-	-	-
Receivables	55,326	23,894	59,288	18,102
Interfund Receivables	7,760	5,431	19,860	2,355
Inventories	1,338	700	1,070	6,662
Prepaid Expenses	20	7	8	16
Contracts, Mortgages and Notes Receivable	1,083	12,965	254	7,051
Advances to Other Funds	-	-	-	8
Total Assets	$245,799	$ 58,204	$127,289	$ 80,857
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts and Interest Payable	$ 32,646	$ 1,579	$ 34,301	$ 14,944
Interfund Payables	2,082	315	45,445	785
Due to Other Governments	120	29,909	783	6,197
Trust Funds Payable	161	3	421	112
Advances from Other Funds	35	-	-	191
Deferred Income	1,497	13,091	9,499	10,561
Vacation Payable	685	120	1,625	593
Total Liabilities	$ 37,226	$ 45,017	$ 92,074	$ 33,383
Fund Balances				
Reserved for Encumbrances	$ 135	$ 1,604	$ 315	$ 1,831
Reserved for Inventories	1,338	700	1,070	6,662
Reserved for Revolving Accounts	325	10	359	251
Reserved for Loans Receivable	-	-	-	-
Reserved for Advances to Other Funds	-	-	-	8
Reserved - Other	20	2	8	15
Unreserved and Undesignated	206,755	10,871	33,463	38,707
Total Fund Balances	$208,573	$ 13,187	$ 35,215	$ 47,474
Total Liabilities and Fund Balances	$245,799	$ 58,204	$127,289	$ 80,857

PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	JUNE 30, 1988	JUNE 30, 1987
$ 2,742	$124,965	$ 55,843	$ 1,515	$ 1,317	$475,183	$324,600
-	5,399	-	-	-	5,549	5,807
897	43,184	4,471	49	39	205,250	117,764
1,820	632	16,811	2	3	54,674	57,934
15	22,610	67	276	-	32,738	28,010
-	-	-	-	-	51	52
-	8,045	89,320	-	-	118,718	92,691
-	650	-	-	-	658	829
$ 5,474	$205,485	$166,512	$ 1,842	$ 1,359	$892,821	$627,687
$ 1,455	$ 35,385	$ 975	$ 49	$ -	$121,334	$100,863
693	3,034	19,454	1	464	72,273	63,675
-	10,614	9,019	-	758	57,400	32,464
-	5,410	5,191	2	-	11,300	12,850
8	-	50,981	-	-	51,215	52,641
128	10,990	78	-	-	45,844	31,967
199	1,890	98	2	-	5,212	4,777
$ 2,483	$ 67,323	$ 85,796	$ 54	$ 1,222	$364,578	$299,237
$ 121	$ 52	$ 36	$ -	$ -	$ 4,094	$ -
15	22,610	67	276	-	32,738	28,010
206	47	-	-	12	1,210	1,962
-	-	89,248	-	-	89,248	75,695
-	650	-	-	-	658	829
-	-	-	-	-	45	50
2,649	114,803	(8,635)	1,512	125	400,250	221,904
$ 2,991	$138,162	$ 80,716	$ 1,788	$ 137	$528,243	$328,450
$ 5,474	$205,485	$166,512	$ 1,842	$ 1,359	$892,821	$627,687

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	ECONOMIC DEV. & CONSUMER SERV.	EDUCATION	HUMAN RESOURCES	NATURAL RESOURCES
Revenues				
Selective Sales and Use Taxes	$ 129,192	$ -	$ -	$ -
Gross Receipts Business Taxes	4,812	-	-	-
Employer - Employe Taxes	109,877	-	-	-
Severance Taxes	-	-	-	-
Other Taxes	-	-	-	5,934
Business Licenses and Fees	15,654	515	4,109	8,556
Nonbusiness Licenses and Fees	6,313	-	2,744	25,579
Federal Revenues	67,049	124,978	549,331	49,441
Charges for Services	6,287	6,113	19,287	4,825
Fines and Forfeitures	1,005	-	2,308	51
Rents and Royalties	-	71	53	129
Interest Income	11,795	916	149	241
Sales Income	2,454	1,527	4,309	23,597
Donations and Grants (Nonfederal)	318	4,098	771	209
Other Revenues	1,822	43	6,203	9,581
Total Revenues	$ 356,578	$ 138,261	$589,264	$128,143
Expenditures				
Personal Services	$ 50,166	$ 6,844	$120,233	$ 53,417
Services and Supplies	22,776	8,560	51,690	46,940
Capital Outlay	1,527	679	3,293	3,945
Special Payments	143,434	621,915	430,305	19,695
Debt Service	106	70	55	4
Total Expenditures	$ 218,009	$ 638,068	$605,576	$124,001
Excess (Deficiency) of Revenue Over Expenditures	$ 138,569	$(499,807)	$(16,312)	$ 4,142
Other Financing Sources (Uses)				
Operating Transfers-in	$ 30,704	$ 500,209	$ 69,657	$ 24,216
Operating Transfers-out	(128,689)	(6,782)	(21,316)	(13,407)
Loan Repayments/Bond Proceeds	-	2,750	3	182
Loan Proceeds	35	31	-	-
Leases Incurred	3	-	171	3
Total Other Financing Sources (Uses)	$ (97,947)	$ 496,208	$ 48,515	$ 10,994
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 40,622	$ (3,599)	$ 32,203	$ 15,136
Fund Balances - Beginning	142,821	16,730	2,416	35,359
Cumulative Effect of Change in Accounting Principle	-	-	-	-
Prior Period Adjustments	24,413	19	156	(1,252)
Fund Balances - Beginning - As Restated	$ 167,234	$ 16,749	$ 2,572	$ 34,107
Increase (Decrease) in Reserves				
Inventories	(125)	35	117	417
Revolving Accounts	101	-	(24)	-
Loans Receivable	-	-	-	(2,016)
Advances to Other Funds	-	-	-	(171)
Other	(11)	2	2	1
Residual Equity Transfers	752	-	345	-
Fund Balances - Ending	$ 208,573	$ 13,187	$ 35,215	$ 47,474

PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	FISCAL YEAR ENDED JUNE 30, 1988	1987
$ -	$ 176,869	$ 14,614	$ -	$ -	$ 320,675	$ 284,255
-	-	378	-	-	5,190	5,606
-	-	-	-	-	109,877	125,829
-	-	132	-	-	132	175
-	-	14,674	-	-	20,608	14,385
330	1,193	1,586	-	-	31,943	23,799
-	79,344	1,387	-	3,634	119,001	101,103
7,359	143,283	136,415	-	-	1,077,856	1,044,323
1,833	65,356	5,735	18	-	109,454	74,834
807	8	15	-	8,343	12,537	13,344
411	2,127	1	397	-	3,189	3,921
5	6,811	2,586	-	-	22,503	17,926
391	5,631	88	1,213	80	39,290	28,498
2	8	818	2	2	6,228	4,208
166	1,192	3,947	76	84	23,114	31,747
$ 11,304	$ 481,822	$ 182,376	$ 1,706	$ 12,143	$1,901,597	$1,773,953
$ 12,236	$ 140,231	$ 5,674	$ 309	$ -	$ 389,110	$ 362,494
5,251	272,207	2,391	1,154	46	411,015	493,487
408	3,970	130	31	-	13,983	28,483
3,669	132,349	257,190	-	7,787	1,616,344	1,507,487
11	869	122	-	-	1,237	954
$ 21,575	$ 549,626	$ 265,507	$ 1,494	$ 7,833	$2,431,689	$2,392,905
$ (10,271)	$ (67,804)	$ (83,131)	$ 212	$ 4,310	$ (530,092)	$ (618,952)
$ 11,917	$ 134,018	$ 69,227	$ -	$ -	$ 839,948	$ 815,708
(809)	(32,534)	(13,354)	-	(4,279)	(221,170)	(180,883)
-	79,256	9,998	-	-	92,189	12,659
-	92	-	-	-	158	-
-	-	-	-	-	177	470
$ 11,108	$ 180,832	$ 65,871	$ -	$ (4,279)	$ 711,302	$ 647,954
$ 837	$ 113,028	$ (17,260)	$ 212	$ 31	$ 181,210	$ 29,002
2,130	45,007	82,373	1,507	107	328,450	436,008
-	-	-	-	-	-	(50,981)
24	(23,233)	8	-	-	135	(98,143)
$ 2,154	$ 21,774	$ 82,381	$ 1,507	$ 107	$ 328,585	$ 286,884
-	4,188	27	69	-	4,728	146
-	(828)	-	-	(1)	(752)	304
-	-	15,568	-	-	13,552	507
-	-	-	-	-	(171)	11,592
-	-	-	-	-	(6)	15
-	-	-	-	-	1,097	-
$ 2,991	$ 138,162	$ 80,716	$ 1,788	$ 137	$ 528,243	$ 328,450

Prepared without audit.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUND
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Selective Sales and Use Taxes	$ 645,759	$ 322,481	$ 323,278
Gross Receipts Business Taxes	16,709	5,190	11,519
Employer-Employe Taxes	52,746	44,709	8,037
Severance Taxes	815	131	684
Other Taxes	31,249	20,609	10,640
Business Licenses and Fees	58,719	30,054	28,665
Nonbusiness Licenses and Fees	203,929	114,726	89,203
Federal Revenues	1,686,043	915,050	770,993
Charge for Services	119,001	107,775	11,226
Fines and Forfeitures	4,138	3,709	429
Rents and Royalties	4,848	3,180	1,668
Interest Income	20,556	14,268	6,288
Sales Income	59,072	37,079	21,993
Donations and Grants (Nonfederal)	9,437	5,600	3,837
Other Revenues	46,750	20,148	26,602
Total Revenues	$2,959,771	$1,644,709	$1,315,062
Expenditures			
Personal Services	$ 813,399	$ 383,716	$ 429,683
Services and Supplies	887,817	336,174	551,643
Capital Outlay	38,273	13,196	25,077
Special Payments	1,348,171	696,290	651,881
Debt Service	-	-	-
Total Expenditures	$3,087,660	$1,429,376	$1,658,284
Excess (Deficiency) of Revenues Over Expenditures	$ (127,889)	$ 215,333	$ (343,222)
Other Financing Sources (Uses)			
Operating Transfers-in	1,355,327	731,694	623,633
Operating Transfers-out	(877,038)	(592,805)	(284,233)
Transfers Out - Other	(145,523)	(86,809)	(58,714)
Transfers to Counties and Cities	(297,109)	(146,815)	(150,294)
Loan Repayments/Bond Proceeds	65,000	76,353	(11,353)
Loan Proceeds	16,252	12,933	3,319
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ (10,980)	$ 209,884	$ (220,864)
Fund Balances Beginning		328,450	
Transactions Recorded During the Year But Charged to Prior Biennia			
Revenues		(4,064)	
Expenditures		8,100	
Activity not subject to budgetary guidelines:			
Revenues		777,567	
Expenditures		(800,650)	
Increase (Decrease) in Reserves			
Inventories		4,728	
Revolving Accounts		(752)	
Loans Receivable		13,552	
Advances to Other Funds		(171)	
Other		(6)	
GAAP Reclassification of Fund Balances		(9,627)	
Accounting Change			
Prior Period Adjustments		135	
Residual Equity Transfer		1,097	
Fund Balances Ending		$ 528,243	

Prepared without audit.

DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources for and the payment of interest and principal on long-term debt other than special assessment and revenue bonds.

STATE OF OREGON
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 1988

(Expressed in Thousands)

	BOND ISSUE			
	CUSTODIAL SECRETARY OF STATE	COMMUNITY COLLEGE & ED. CENTER	OREGON POLLUTION CONTROL	OREGON STATE HIGHWAY
ASSETS				
Cash and Investments	$ -	$ 86	$102,345	$ 3,749
Receivables	10	-	2,160	1,035
Interfund Receivables	-	248	-	-
Prepaid Expenses (Bond Discounts)	-	-	-	-
Contracts, Mortgages and Notes Receivable	106	-	4,744	-
Total Assets	$ 116	$ 334	$109,249	$ 4,784
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 10	$ 248	$ -	$ -
Matured Bonds and Coupons Payable	-	79	300	100
Advances from General Fund	106	-	-	-
Total Liabilities	$ 116	$ 327	$ 300	$ 100
Fund Balances				
Reserved for Loans Receivable	$ 106	$ -	$ 4,744	$ -
Reserved for Debt Service	(106)	7	104,205	4,684
Total Fund Balances	$ -	$ 7	$108,949	$ 4,684
Total Liabilities and Fund Balances	$ 116	$ 334	$109,249	$ 4,784

JUNE 30	
1988	1987
$106,180	$110,414
3,205	2,307
248	247
-	426
4,850	5,543
$114,483	$118,937
$ 258	$ 277
479	174
106	203
$ 843	$ 654
$ 4,850	$ 5,340
108,790	112,943
$113,640	$118,283
$114,483	$118,937

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	BOND ISSUE			
	CUSTODIAL SECRETARY OF STATE	COMMUNITY COLLEGE & ED. CENTER	OREGON POLLUTION CONTROL	OREGON STATE HIGHWAY
Revenues				
Interest Income	$ 23	$ 6	$ 8,228	$ 2,810
Total Revenues	$ 23	$ 6	$ 8,228	$ 2,810
Expenditures				
Principal	$ -	$ 1,600	$ 9,100	$ 3,300
Interest	23	1,642	7,985	4,313
Total Expenditures	$ 23	$ 3,242	$ 17,085	$ 7,613
Excess (Deficiency) of Revenues Over Expenditures	$ -	$(3,236)	$ (8,857)	$(4,803)
Other Financing Sources (Uses)				
Operating Transfers-in	$ -	$ 3,242	$ -	$ 9,487
Operating Transfers-out	-	-	(50)	-
Loan Repayments	97	-	596	-
Total Other Financing Sources (Uses)	$ 97	$ 3,242	$ 546	$ 9,487
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 97	$ 6	$ (8,311)	$ 4,684
Fund Balances - Beginning	$ -	$ 1	$118,282	$ -
Prior Period Adjustments	-	-	(426)	-
Fund Balances - Beginning - As Restated	$ -	$ 1	$117,856	$ -
Increase (Decrease) in Reserves Loans Receivable	(97)	-	(596)	-
Accounting Change	-	-	-	-
Fund Balances - Ending	$ -	$ 7	$108,949	$ 4,684

FISCAL YEAR ENDED JUNE 30, 1988	1987
$ 11,067	$ 8,675
$ 11,067	$ 8,675
$ 14,000	$ 13,051
13,963	12,332
$ 27,963	$ 25,383
$(16,896)	$(16,708)
$ 12,729	$ 8,619
(50)	(38)
693	5,840
$ 13,372	$ 14,421
$ (3,524)	$ (2,287)
$118,283	$ 28,507
(426)	98,118
$117,857	$126,625
(693)	(5,735)
-	(320)
$113,640	$118,283

Prepared without audit.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
DEBT SERVICE FUND
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Selective Sales and Use Taxes	$ -	$ -	$ -
Total Revenues	$ -	$ -	$ -
Expenditures			
Debt Service	$ 6,625	$ 3,242	$ 3,383
Total Expenditures	$ 6,625	$ 3,242	$ 3,383
Excess (Deficiency) of Revenues Over Expenditures	$(6,625)	$ (3,242)	$(3,383)
Other Financing Sources (Uses)			
Operating Transfers-in	6,625	3,242	3,383
Operating Transfers-out	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ -	$ -	$ -
Fund Balances Beginning		118,283	
Activity not subject to budgetary guidelines:			
Revenues		21,197	
Expenditures		(24,818)	
Increase (Decrease) in Reserves Loans Receivable		(693)	
GAAP Reclassification of Fund Balances		97	
Prior Period Adjustments		(426)	
Fund Balances Ending		$113,640	

Prepared without audit.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by Proprietary, Special Assessment, and Trust Funds.

STATE OF OREGON
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND
JUNE 30, 1988

(Expressed in Thousands)

	ECONOMIC DEV. & CONSUMER SERV.	EDUCATION	HUMAN RESOURCES
ASSETS			
Cash and Investments	$ (10)	$ 13	$ 184
Receivables	-	200	1
Interfund Receivables	11	181	1,288
Contracts, Mortgages, and Notes Receivable	-	-	-
Total Assets	$ 1	$ 394	$ 1,473
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	$ 1	$ 216	$ 1,230
Interfund Payables	-	178	34
Total Liabilities	$ 1	$ 394	$ 1,264
Fund Balances			
Reserved for Loans Receivable	$ -	$ -	$ -
Unreserved, Undesignated	-	-	209
Total Fund Balances	$ -	$ -	$ 209
Total Liabilities and Fund Balances	$ 1	$ 394	$ 1,473

NATURAL RESOURCES	PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	JUNE 30, 1988	JUNE 30, 1987
$ 67	$ 2	$ (11)	$ -	$ 2	$ -	$ 247	$ (152)
-	3	17	-	-	-	221	430
-	1	14	-	40	1	1,536	602
-	38	-	-	-	-	38	38
$ 67	$ 44	$ 20	$ -	$ 42	$ 1	$ 2,042	$ 918
$ 67	$ 3	$ 20	$ -	$ 40	$ 1	$ 1,578	$ 266
-	-	-	-	-	-	212	91
$ 67	$ 3	$ 20	$ -	$ 40	$ 1	$ 1,790	$ 357
$ -	$ 38	$ -	$ -	$ -	$ -	$ 38	$ 38
-	3	-	-	2	-	214	523
$ -	$ 41	$ -	$ -	$ 2	$ -	$ 252	$ 561
$ 67	$ 44	$ 20	$ -	$ 42	$ 1	$ 2,042	$ 918

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	ECONOMIC DEV. & CONSUMER SERV.	EDUCATION	HUMAN RESOURCES
Revenues			
Federal Revenues	$ -	$ (16)	$ -
Rents and Royalties	-	-	-
Interest Income	-	-	-
Sales Income	-	-	-
Donations and Grants (Nonfederal)	-	87	-
Total Revenues	$ -	$ 71	$ -
Expenditures			
Personal Services	$ -	$ -	$ 255
Services and Supplies	3	107	277
Capital Outlay	8	1,458	6,635
Total Expenditures	$ 11	$ 1,565	$ 7,167
Excess (Deficiency) of Revenues Over Expenditures	$ (11)	$ (1,494)	$ (7,167)
Other Financing Sources (Uses)			
Operating Transfers-in	$ 11	$ 1,494	$ 6,754
Operating Transfers-out	-	-	-
Loan Proceeds	-	-	622
Total Other Financing Sources	$ 11	$ 1,494	$ 7,376
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ -	$ -	$ 209
Fund Balances - Beginning	-	-	-
Prior Period Adjustments	-	-	-
Fund Balances - Beginning - As Restated	$ -	$ -	$ -
Increase (Decrease) in Reserves Loans Receivable	-	-	-
Fund Balances - Ending	$ -	$ -	$ 209

NATURAL RESOURCES	PUBLIC SAFETY	TRANSPORTATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	FISCAL YEAR ENDED JUNE 30, 1988	1987
$ -	$ 16	$ 589	$ -	$ -	$ -	$ 589	$ 994
-	-	-	-	-	-	-	1
-	2	-	-	-	-	2	10
-	-	-	-	-	-	-	287
-	-	-	-	-	-	87	165
$ -	$ 18	$ 589	$ -	$ -	$ -	$ 678	$ 1,457
$ 70	$ -	$ 84	$ 90	$ -	$ -	$ 499	$ 189
419	-	595	-	-	47	1,448	806
1,580	571	3,165	-	138	-	13,555	8,996
$ 2,069	$ 571	$ 3,844	$ 90	$ 138	$ 47	$ 15,502	$ 9,991
$ (2,069)	$ (553)	$(3,255)	$ (90)	$ (138)	$ (47)	$(14,824)	$(8,534)
$ 2,069	$ 96	$ 3,199	$ 90	$ 138	$ 47	$13,898	$ 6,887
-	-	-	-	-	-	-	(57)
-	-	-	-	-	-	622	1,174
$ 2,069	$ 96	$ 3,199	$ 90	$ 138	$ 47	$14,520	$ 8,004
$ -	$ (457)	$ (56)	$ -	$ -	$ -	$ (304)	$ (530)
5	498	56	-	2	-	561	1,183
(5)	-	-	-	-	-	(5)	-
$ -	$ 498	$ 56	$ -	$ 2	$ -	$ 556	$ 1,183
-	-	-	-	-	-	-	(92)
$ -	$ 41	$ -	$ -	$ 2	$ -	$ 252	$ 561

Prepared without audit.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED JUNE 30, 1988
(Expressed in Thousands)

	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Federal Revenues	$ 5,311	$ 30	$ 5,281
Charges for Services	778	1	777
Rents and Royalties	20	-	20
Other Revenues	53	-	53
Donations and Grants	-	26	(26)
Total Revenues	$ 6,162	$ 57	$ 6,105
Expenditures			
Personal Services	$ 1,201	$ 320	$ 881
Services and Supplies	5,579	1,386	4,193
Capital Outlay	55,593	11,696	43,897
Total Expenditures	$ 62,373	$ 13,402	$ 48,971
Excess (Deficiency) of Revenues Over Expenditures	$(56,211)	$(13,345)	$(42,866)
Other Financing Sources (Uses)			
Operating Transfers-in - Interfund	62,464	11,168	51,296
Operating Transfers-out - Interfund	(21,250)	(454)	(20,796)
Loan Proceeds	354	75	279
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$(14,643)	$ (2,556)	$(12,087)
Fund Balances Beginning		561	
Transactions Recorded During the Year But Charged to Prior Biennia			
Revenues		7,978	
Expenditures		(4,921)	
Activity not subject to budgetary guidelines:			
Revenues		3	
Expenditures		(3)	
GAAP Reclassification of Fund Balances		(805)	
Prior Period Adjustments		(5)	
Fund Balances Ending		$ 252	

Prepared without audit.

ENTERPRISE FUNDS

Enterprise Funds account for the provision of goods and services to the general public where all or most of the costs involved are paid in the form of charges by the users of such services.

STATE OF OREGON
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
Current Assets				
Cash and Investments	$ 17,645	$ 661,667	$14,120	$17,083
Receivables	6,907	37,253	7,837	4,006
Interfund Receivable	-	20	9,664	-
Inventories	2	80	4,174	373
Prepaid Expenses	-	-	2	207
Total Current Assets	$ 24,554	$ 699,020	$35,797	$21,669
Total Fixed Assets	$ 38	$ 7,177	$20,272	$ 1,496
Other Assets				
Restricted Assets - Cash and Investments	$200,485	$ 617,851	$ -	$ -
Interest Receivable - Long-Term	-	57,366	-	-
Contracts, Mortgages, and Notes Receivable	426,199	4,234,400	-	-
Advances to Other Funds	-	11,474	-	-
Deferred Charges	8,387	24,191	-	-
Foreclosed and Deeded Property	3,128	35,701	-	-
Total Other Assets	$638,199	$4,980,983	$ -	$ -
Total Assets	$662,791	$5,687,180	$56,069	$23,165
LIABILITIES AND FUND EQUITY				
Current Liabilities				
Accounts and Interest Payable	$ 22,225	$ 124,755	$ 9,972	$ 6,920
Interfund Payables	-	-	13,488	15,634
Due to Other Governments	-	-	-	-
Claim Loss Liability	-	-	-	-
Matured Bonds and Coupons Payable	371	8,706	-	-
Vacation Payable - Current	-	520	1,334	-
Bonds Payable - Current	48,525	223,800	-	-
Notes Payable	-	170,000	-	-
Deferred Income	-	-	-	2,445
Total Current Liabilities	$ 71,121	$ 527,781	$24,794	$24,999
Long-Term Liabilities				
Contract, Mortgages, and Notes Payable	$ -	$ 154	$ 231	$ -
Advances from Other Funds	1,445	-	1,346	-
Vacation Payable - Long-Term	54	-	3,669	153
Bonds Payable - Noncurrent	540,620	5,192,761	-	-
Claim Loss Liability	-	-	-	-
Total Long-Term Liabilities	$542,119	$5,192,915	$ 5,246	$ 153
Total Liabilities	$613,240	$5,720,696	$30,040	$25,152
Fund Equity				
Contributed Capital	$ 100	$ -	$ 458	$ -
Unrealized Gain on Investments	-	-	-	-
Retained Earnings - Unreserved	49,451	(33,516)	25,571	(1,987)
Total Fund Equity	$ 49,551	$ (33,516)	$26,029	$(1,987)
Total Liabilities and Fund Equity	$662,791	$5,687,180	$56,069	$23,165

LIQUOR COMMISSION	ENERGY	WATER RESOURCES	ECONOMIC DEVELOPM.	STATE ACC. INSURANCE	OTHER ENTERPRISE	JUNE 30, 1988	JUNE 30, 1987
$19,017	$ 62,884	$ 2,142	$30,307	$1,097,669	$ 6,969	$1,929,503	$2,575,678
262	2,033	210	278	203,410	979	263,175	238,831
-	-	-	7,683	-	384	17,751	755
16,409	-	-	-	151	4,276	25,465	31,357
49	-	-	-	47	292	597	875
$35,737	$ 64,917	$ 2,352	$38,268	$1,301,277	$12,900	$2,236,491	$2,847,496
$ 3,592	$ 29	$ 13	$ 35	$ 13,772	$12,881	$ 59,305	$ 59,018
$ -	$ 8,006	$ 3,712	$ -	$ -	$ 736	$ 830,790	$ -
-	-	-	-	-	-	57,366	-
-	117,716	14,652	12,995	4,808	3,047	4,813,817	5,073,670
-	7,911	-	-	-	-	19,385	4,905
-	-	-	-	-	-	32,578	35,825
-	-	976	-	-	-	39,805	51,066
$ -	$133,633	$19,340	$12,995	$ 4,808	$ 3,783	$5,793,741	$5,165,466
$39,329	$198,579	$21,705	$51,298	$1,319,857	$29,564	$8,089,537	$8,071,980
$10,197	$ 6,829	$ 307	$ 396	$ 14,899	$ 773	$ 197,273	$ 221,504
6,345	-	-	-	-	190	35,657	21,540
2,317	33,406	-	-	16,948	-	52,671	1,754
-	-	-	-	70,069	-	70,069	42,948
-	565	89	-	-	-	9,731	5,344
142	6	1	4	393	35	2,435	1,845
-	3,765	1,204	-	-	180	277,474	291,665
-	-	-	-	-	-	170,000	185,000
494	-	134	-	-	583	3,656	2,540
$19,495	$ 44,571	$1,735	$ 400	$ 102,309	$ 1,761	$ 818,966	$ 774,140
$ -	$ -	$ -	$ -	$ -	$ -	$ 385	$ 419
-	-	-	2,681	-	21	5,493	5,265
243	15	2	18	1,180	88	5,422	3,822
-	153,459	20,799	-	-	6,261	5,913,900	6,101,556
-	-	-	-	1,015,963	-	1,015,963	928,308
$ 243	$153,474	$20,801	$ 2,699	$1,017,143	$ 6,370	$6,941,163	$7,039,370
$19,738	$198,045	$22,536	$ 3,099	$1,119,452	$ 8,131	$7,760,129	$7,813,510
$ -	$ -	$ -	$ -	$ -	$ 8,453	$ 9,011	$ 1,003
-	-	-	-	9,982	-	9,982	19,900
19,591	534	(831)	48,199	190,423	12,980	310,415	237,567
$19,591	$ 534	$ (831)	$48,199	$ 200,405	$21,433	$ 329,408	$ 258,470
$39,329	$198,579	$21,705	$51,298	$1,319,857	$29,564	$8,089,537	$8,071,980

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
Operating Revenues				
Sales Income	$ -	$ -	$ 358	$159,937
Selective Sales Tax	-	-	-	-
Business Licenses and Fees	122	389	-	69
Nonbusiness Licenses and Fees	58	-	-	-
Federal Revenues	452	-	-	-
Charges for Services	137	1,918	102,585	-
Fines and Forfeitures	1	-	-	48
Rents and Royalties	-	132	127	95
Interest and Investment Income	52,392	443,813	260	780
Donations and Grants (Nonfederal)	-	-	23	-
Other Revenues	31	221	375	628
Gain/(Loss) on Foreclosed Property (Net)	374	(4,563)	-	-
Fees Waived	-	-	(41,262)	-
Gain/(Loss) on Sale of Investments	1,560	-	-	-
Gain (Loss) on Disposition of Equipment	(8)	(8)	(250)	(100)
Total Operating Revenues	$ 55,119	$ 441,902	$ 62,216	$161,457
Operating Expenses				
Salaries and Wages	$ 1,274	$ 10,993	$108,481	$ 2,949
Services and Supplies	3,835	21,573	16,428	21,636
Cost of Sales	-	-	-	-
Special Payments	-	401	-	80,969
Interest Expense	48,098	400,198	-	-
Depreciation/Amortization	35	483	1,903	386
Total Operating Expenses	$ 53,242	$ 433,648	$126,812	$105,940
Net Income (Loss) Before Operating Transfers	$ 1,877	$ 8,254	$(64,596)	$ 55,517
Operating Transfers-in	-	8	81,778	-
Operating Transfers-out	(300)	-	(20,811)	(54,142)
Net Income (Loss) Before Extraordinary Items and Accounting Change	$ 1,577	$ 8,262	$ (3,629)	$ 1,375
Extraordinary Gain (Loss)	-	68,840	-	-
Cumulative Effect of Accounting Change	-	-	-	-
Net Income (Loss)	$ 1,577	$ 77,102	$ (3,629)	$ 1,375
Fund Equity - Beginning	$ 47,715	$ (72,609)	$ 29,376	$ (3,384)
Prior Period Adjustments	259	(38,009)	(169)	22
Fund Equity - Beginning - As Restated	$ 47,974	$(110,618)	$ 29,207	$ (3,362)
Unrealized Gain on Investments	-	-	-	-
Residual Equity Transfers and Capital Contributions	-	-	451	-
Fund Equity - Ending	$ 49,551	$ (33,516)	$ 26,029	$ (1,987)

LIQUOR COMMISSION	ENERGY	WATER RESOURCES	ECONOMIC DEVELOPMENT	STATE ACC. INSURANCE	OTHER ENTERPRISE	FISCAL YEAR ENDED JUNE 30, 1988	1987
$138,778	$ -	$ -	$ -	$ -	$ 5,547	$ 304,620	$ 244,192
10,542	-	-	-	-	-	10,542	11,196
1,790	20	-	-	-	-	2,390	2,328
-	-	24	-	-	-	82	197
-	-	-	120	-	9	581	546
27	44	-	13	246,510	2,488	353,722	326,144
44	-	-	-	2,815	-	2,908	64
-	-	6	-	-	1,229	1,589	1,468
2	13,947	1,958	2,313	101,151	560	617,176	631,357
-	-	-	-	-	14	37	63
-	-	-	-	(262)	479	1,472	3,599
-	-	(460)	-	-	-	(4,649)	(25,549)
-	-	-	-	-	-	(41,262)	(43,672)
-	-	-	-	-	(199)	1,361	-
(37)	-	-	-	(132)	(21)	(556)	(528)
$151,146	$ 14,011	$ 1,528	$ 2,446	$350,082	$ 10,106	$1,250,013	$1,151,405
$ 7,932	$ 475	$ 80	$ 542	$ 33,453	$ 4,181	$ 170,360	$ 144,029
12,514	506	62	230	26,374	4,557	107,715	92,650
73,659	-	-	-	-	19	73,678	73,570
15,397	-	-	1,840	330,918	138	429,663	375,464
-	13,223	1,784	-	-	469	463,772	471,311
333	4	2	2	2,213	697	6,058	6,356
$109,835	$ 14,208	$ 1,928	$ 2,614	$392,958	$ 10,061	$1,251,246	$1,163,380
$ 41,311	$ (197)	$ (400)	$ (168)	$(42,876)	$ 45	$ (1,233)	$ (11,975)
-	-	-	39,234	-	1,880	122,900	64,657
(41,290)	-	-	(13,141)	-	-	(129,684)	(88,928)
$ 21	$ (197)	$ (400)	$ 25,925	$(42,876)	$ 1,925	$ (8,017)	$ (36,246)
-	-	-	-	-	-	68,840	(39,469)
-	-	-	-	55,479	-	55,479	33,800
$ 21	$ (197)	$ (400)	$ 25,925	$ 12,603	$ 1,925	$ 116,302	$ (41,915)
$ 19,341	$ 731	$ (533)	$ 11,833	$196,367	$ 29,633	$ 258,470	$ 296,011
229	-	102	-	1,353	(52)	(36,265)	2,044
$ 19,570	$ 731	$ (431)	$ 11,833	$197,720	$ 29,581	$ 222,205	$ 298,055
-	-	-	-	(9,918)	-	(9,918)	2,074
-	-	-	10,441	-	(10,073)	819	256
$ 19,591	$ 534	$ (831)	$ 48,199	$200,405	$ 21,433	$ 329,408	$ 258,470

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
Sources of Working Capital				
Operations:				
Net Income (Loss) Before Extraordinary Items and Accounting Change	$ 1,577	$ 8,262	$(3,629)	$ 1,375
Items Not Requiring (Providing) Working Capital				
Depreciation and Amortization	35	484	1,903	386
LT Compensated Absences	5	-	1,334	30
Amortized Bond Discounts/Costs/Premiums	1,321	2,233	-	-
Accreted Interest	2,451	1,117	-	-
Loans Forgiven	-	-	-	-
Total Provided by Operations Before Extraordinary Items and Accounting Change	$ 5,389	$ 12,096	$ (392)	$ 1,791
Extraordinary Items and Accounting Change:				
Extraordinary Gain (Loss)	-	-	-	-
Accounting Change	-	-	-	-
Prior Period Adjustments	259	(38,009)	(169)	22
Other Sources				
Payables Reclassified to Long Term	-	-	-	-
Disposal of Property and Equipment	8	8	250	-
Transfer of Equipment	-	-	-	-
Sale of Bonds	50,956	-	-	-
Loan Proceeds	-	-	1,011	-
Loan Repayments	27,871	490,624	-	-
Other Miscellaneous	-	-	-	-
Revaluation of Investments	-	27,213	-	-
Increase in Loss Reserves	-	-	-	-
Contributions	-	-	451	-
Loan Reductions - Foreclosures	-	-	-	-
Decrease in Bonds Classified as Current Liabilities	5,675	-	-	-
Total Provided	$90,158	$491,932	$ 1,151	$ 1,813
Uses of Working Capital				
Investments Reclassified to Long Term	$ -	$ -	$ -	$ -
Bonds Reclassified as Current Liabilities	-	(8,840)	-	-
Retirement of Bonds	52,668	232,640	-	-
Loans Made	9,200	258,432	-	-
Construction of Buildings	-	-	678	-
Acquisition of Property and Equipment	26	129	874	299
Payment on Other Long-Term Liabilities	95	134	234	-
Other Miscellaneous	-	-	-	-
Premium and Discounts on Bonds	109	-	-	-
Loss on Foreclosed Property	-	-	-	-
Total Applied	$62,098	$482,495	$ 1,786	$ 299
Net Increase (Decrease) in Working Capital	$28,060	$ 9,437	$ (635)	$ 1,514
Elements of Net Increase (Decrease) in Working Capital				
Cash and Investments	$23,280	$ 12,634	$ 7,404	$ 8,125
Receivables	(862)	(3,102)	8,184	(1,160)
Inventories	(2,830)	(15,364)	65	(96)
Prepaid Expenses	-	-	(1)	28
Payables	8,472	15,269	(16,287)	(4,388)
Deferred Income	-	-	-	(995)
Net Increase (Decrease) in Working Capital	$28,060	$ 9,437	$ (635)	$ 1,514

LIQUOR COMMISSION	ENERGY	WATER RESOURCES	ECONOMIC DEVELOPM.	STATE ACC. INSURANCE	OTHER ENTERPRISE	FISCAL YEAR ENDED JUNE 30, 1988	1987
$ 21	$ (197)	$ (400)	$25,925	$(42,876)	$ 1,925	$ (8,017)	$(36,246)
333	4	2	3	2,213	697	6,060	6,356
44	-	(3)	5	166	9	1,590	412
-	188	-	-	-	1	3,743	5,350
-	-	-	-	-	-	3,568	2,759
-	-	-	343	-	-	343	(185)
$ 398	$ (5)	$ (401)	$26,276	$(40,497)	$ 2,632	$ 7,287	$(21,554)
-	-	-	-	-	-	-	(39,469)
-	-	-	-	55,479	-	55,479	33,800
229	-	1	-	1,353	-	(36,314)	2,352
-	-	-	-	-	-	-	9,040
37	-	-	-	(1,383)	19	(1,061)	(27)
-	-	-	-	-	102	102	(23)
-	31,800	-	-	-	-	82,756	331,000
-	-	-	-	-	-	1,011	2,313
-	3,501	2,049	1,477	112	15	525,649	465,111
-	-	-	-	-	(2)	(2)	6
-	-	-	-	(9,918)	70	17,365	2,074
-	-	-	-	87,655	-	87,655	80,916
-	-	-	4,595	-	(4,623)	423	226
-	-	-	-	-	-	-	109,516
-	-	-	-	-	-	5,675	-
$ 664	$35,296	$ 1,649	$32,348	$ 92,801	$(1,787)	$746,025	$975,281
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 51,066
-	230	94	-	-	-	(8,516)	290,935
-	1,660	1,110	-	-	-	288,078	233,480
-	22,390	649	3,263	-	2,050	295,984	318,126
-	-	-	-	612	1,194	2,484	6,342
609	3	6	9	641	283	2,879	4,828
3	-	-	343	-	20	829	175
-	-	-	-	-	-	-	3
-	480	-	-	-	-	589	13,361
-	-	-	-	-	-	-	289
$ 612	$24,763	$ 1,859	$ 3,615	$ 1,253	$ 3,547	$582,327	$918,605
$ 52	$10,533	$ (210)	$28,733	$ 91,548	$(5,334)	$163,698	$ 56,676
$ 1,881	$22,301	$ (173)	$20,851	$ 96,369	$(7,107)	$185,565	$275,041
110	929	(16)	7,905	28,609	743	41,340	20,154
(105)	-	26	-	(83)	284	(18,103)	(506)
(7)	-	-	-	(285)	(13)	(278)	735
(1,803)	(12,697)	(43)	(23)	(33,062)	852	(43,710)	(245,182)
(24)	-	(4)	-	-	(93)	(1,116)	6,434
$ 52	$10,533	$ (210)	$28,733	$ 91,548	$(5,334)	$163,698	$ 56,676

Prepared without audit.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUND
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Selective Sales and Use Taxes	$ 20,952	$ 10,543	$ 10,409
Business Licenses and Fees	3,974	1,924	2,050
Nonbusiness Licenses and Fees	50	81	(31)
Federal Revenues	-	105	(105)
Charge for Services	20,252	10,921	9,331
Fines and Forfeitures	91	45	46
Rents and Royalties	2,095	1,224	871
Interest Income	4,755	26,445	(21,690)
Sales Income (Net)	135,105	66,823	68,282
Other Revenues	834	470	364
Total Revenues	$188,108	$118,581	$ 69,527
Expenditures			
Personal Services	$ 48,303	$ 23,920	$ 24,383
Services and Supplies	45,012	20,829	24,183
Capital Outlay	1,864	999	865
Special Payments	54,799	15,694	39,105
Debt Service	-	-	-
Total Expenditures	$149,978	$ 61,442	$ 88,536
Excess (Deficiency) of Revenues Over Expenditures	$ 38,130	$ 57,139	$(19,009)
Other Financing Sources (Uses)			
Operating Transfers-in	53,684	42,933	10,751
Operating Transfers-out	(24,791)	(70,310)	45,519
Transfers to Counties and Cities	(30,311)	(15,397)	(14,914)
Loan Repayments	544	4,141	(3,597)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 37,256	$ 18,506	$ 18,750
Fund Equity Beginning		258,470	
Transactions Recorded During the Year But Charged to Prior Biennia			
Revenues		(1,599)	
Expenditures		(322)	
Activity not subject to budgetary guidelines:			
Revenues		1,882,522	
Expenditures		(1,835,246)	
Unrealized Gain on Investments		(9,918)	
Depreciation and Amortization		(6,037)	
GAAP Reclassification of Fund Equity		(65,841)	
Accounting Change		55,479	
Extraordinary Gain (Loss)		68,840	
Prior Period Adjustments		(36,265)	
Residual Equity Transfer		819	
Fund Equity Ending		$329,408	

Prepared without audit.

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by an agency on a cost-reimbursement basis to any other governmental unit, whether state, federal, or local.

STATE OF OREGON
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
JUNE 30, 1988

(Expressed in Thousands)

ASSETS	EXECUTIVE DEPARTMENT SERVICES	DEPARTMENT OF GENERAL SERVICES
Current Assets		
Cash and Investments	$ -	$ 44,334
Receivables	27,810	10,543
Interfund Receivables	7	-
Inventories	152	1,609
Prepaid Expenses	2	1,193
Total Current Assets	$ 27,971	$ 57,679
Total Fixed Assets	$ 3,372	$ 70,913
Other Assets		
Advances to Other Funds	$ -	$ -
Contracts, Mortgages, and Notes Receivable	-	703
Total Other Assets	$ -	$ 703
Total Assets	$ 31,343	$129,295
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	$ 1,531	$ 5,988
Interfund Payables	23,762	193
Vacation Payable - Short-Term	287	169
Deferred Income	-	-
Total Current Liabilities	$ 25,580	$ 6,350
Long-Term Liabilities		
Advances from Other Funds	$ -	$ 371
Obligations - Capital Lease	-	956
Contracts, Mortgages, and Notes Payable	588	14,894
Vacation Payable - Long-Term	72	386
Claim Loss Liability	-	27,324
Total Long-Term Liabilities	$ 660	$ 43,931
Total Liabilities	$ 26,240	$ 50,281
Fund Equity		
Contributed Capital	$ 9	$ 43,093
Retained Earnings - Unreserved	5,094	35,921
Total Fund Equity	$ 5,103	$ 79,014
Total Liabilities and Fund Equity	$ 31,343	$129,295

JUSTICE DEPARTMENT SERVICES	PEN. INDUSTRIES SALES	OTHER DATA PROC. SERVICES	MISC. INTERNAL SERVICES	JUNE 30, 1988	JUNE 30, 1987
$ 80	$ 357	$ 1,512	$ 3,791	$ 50,074	$ 41,601
2,500	650	2,675	877	45,055	29,638
-	-	-	45	52	187
220	1,244	396	339	3,960	3,653
-	-	-	5	1,200	23
$ 2,800	$ 2,251	$ 4,583	$ 5,057	$100,341	$ 75,102
$ 1,382	$ 4,897	$ 9,861	$ 7,136	$ 97,561	$103,204
$ -	$ -	$ -	$ -	$ -	$ 1,611
-	-	-	2	705	11
$ -	$ -	$ -	$ 2	$ 705	$ 1,622
$ 4,182	$ 7,148	$ 14,444	$ 12,195	$198,607	$179,928
$ 1,761	$ 1,767	$ 928	$ 674	$ 12,649	$ 13,991
-	-	2	-	23,957	181
484	24	89	178	1,231	938
1,416	-	241	-	1,657	280
$ 3,661	$ 1,791	$ 1,260	$ 852	$ 39,494	$ 15,390
$ -	$ 4,724	$ 650	$ -	$ 5,745	$ 4,740
-	-	-	-	956	1,209
79	1	7,284	164	23,010	25,540
284	60	208	117	1,127	1,264
-	-	-	-	27,324	18,137
$ 363	$ 4,785	$ 8,142	$ 281	$ 58,162	$ 50,890
$ 4,024	$ 6,576	$ 9,402	$ 1,133	$ 97,656	$ 66,280
$ -	$ 1,894	$ 2,041	$ 3,440	$ 50,477	$ 46,256
158	(1,322)	3,001	7,622	50,474	67,392
$ 158	$ 572	$ 5,042	$11,062	$100,951	$113,648
$ 4,182	$ 7,148	$14,444	$12,195	$198,607	$179,928

Prepared without audit

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	EXECUTIVE DEPARTMENT SERVICES	DEPARTMENT OF GENERAL SERVICES
Operating Revenues:		
Sales Income	$ 137	$ 15,192
Licenses and Fees	222	49
Charges for Services	13,543	58,041
Rents and Royalties	407	11,607
Interest Income	-	2,779
Other Revenues	12	282
Gain (Loss) on Disposition of Equipment	41	74
Total Operating Revenues	$ 14,362	$ 88,024
Operating Expenses		
Salaries and Wages	$ 7,544	$ 10,884
Services and Supplies	5,688	59,578
Cost of Sales	-	11,809
Special Payments	-	11,829
Interest Expense	-	344
Depreciation/Amortization	1,516	5,312
Total Operating Expenses	$ 14,748	$ 99,756
Net Income (Loss) before Operating Transfers	$ (386)	$(11,732)
Operating Transfers-in	55	-
Operating Tranfers-out	(242)	(340)
Net Income (Loss)	$ (573)	$(12,072)
Fund Equity Beginning	$ 5,873	$ 87,836
Prior Period Adjustments	(206)	(72)
Fund Equity - Beginning - As Restated	$ 5,667	$ 87,764
Residual Equity Transfers	9	3,322
Fund Equity - Ending	$ 5,103	$ 79,014

JUSTICE DEPARTMENT SERVICES	PEN. INDUSTRIES SALES	OTHER DATA PROC. SERVICES	MISC. INTERNAL SERVICES	FISCAL YEAR ENDED JUNE 30, 1988	1987
$ -	$ 3,584	$ 1	$ 276	$ 19,190	$ 16,987
56	-	-	2	329	59
21,082	40	13,431	9,670	115,807	109,217
-	(45)	-	(15)	11,954	11,345
-	-	-	61	2,840	2,997
103	104	7	893	1,401	1,824
(247)	-	-	65	(67)	(1,261)
$20,994	$ 3,683	$13,439	$10,952	$151,454	$141,168
$17,424	$ 729	$ 5,208	$ 6,674	$ 48,463	$ 46,102
4,038	1,326	4,419	3,084	78,133	61,627
-	1,555	-	-	13,364	13,802
-	-	-	(1)	11,828	7,766
-	441	-	-	785	510
436	481	2,853	1,274	11,872	10,346
$21,898	$ 4,532	$12,480	$11,031	$164,445	$140,153
$ (904)	$ (849)	$ 959	$ (79)	$(12,991)	$ 1,015
-	239	-	265	559	378
-	-	-	(135)	(717)	(263)
$ (904)	$ (610)	$ 959	$ 51	$(13,149)	$ 1,130
$ 1,062	$ 1,182	$ 6,856	$10,839	$113,648	$108,350
-	-	(2,976)	3	(3,251)	551
$ 1,062	$ 1,182	$ 3,880	$10,842	$110,397	$108,901
-	-	203	169	3,703	3,617
$ 158	$ 572	$ 5,042	$11,062	$100,951	$113,648

Prepared without audit

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
INTERNAL SERVICE FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	EXECUTIVE DEPARTMENT SERVICES	DEPARTMENT OF GENERAL SERVICES
Sources of Working Capital		
Operations:		
Net Income (Loss)	$ (573)	$(12,072)
Items Not Requiring (Providing) Working Capital		
Depreciation and Amortization	1,516	5,312
Long Term Compensated Absences	(207)	24
Long Term Claim Losses	-	9,187
Total Provided by Operations	$ 736	$ 2,451
Contributed From Another Fund	9	3,322
Disposal of Property and Equipment	70	-
Loan Proceeds	-	2,056
Loan Repayments	-	2,424
Total Provided	$ 815	$ 10,253
Uses of Working Capital		
Loans Made	$ -	$ 1,516
Acquisition of Property and Equipment	771	5,239
Payment on Loans and Contracts	726	1,189
Property Acquired From Another Fund	10	607
Total Applied	$ 1,507	$ 8,551
Net Increase (Decrease) in Working Capital	$ (692)	$ 1,702
Elements of Net Increase (Decrease) in Working Capital:		
Cash and Investments	$ 10,478	$ (910)
Receivables	13,055	823
Inventories	(241)	62
Prepaid Expenses	(4)	1,193
Payables	(23,980)	534
Deferred Income	-	-
Net Increase (Decrease) in Working Capital	$ (692)	$ 1,702

JUSTICE DEPARTMENT SERVICES	PEN. INDUSTRIES SALES	OTHER DATA PROC. SERVICES	MISC. INTERNAL SERVICES	FISCAL YEAR ENDED JUNE 30, 1988	1987
$ (904)	$ (610)	$ 959	$ 51	$(13,149)	$ 1,130
436	481	2,853	1,274	11,872	10,346
21	8	3	14	(137)	(98)
-	-	-	-	9,187	1,675
$ (447)	$ (121)	$ 3,815	$ 1,339	$ 7,773	$13,053
-	-	203	169	3,703	3,617
247	-	136	321	774	2,514
22	1,101	488	1	3,668	17,108
-	-	-	-	2,424	1,801
$ (178)	$ 980	$ 4,642	$ 1,830	$ 18,342	$38,093
$ -	$ -	$ -	$ -	$ 1,516	$ 2,306
109	224	1,444	1,700	9,487	28,082
166	325	2,507	57	4,970	2,310
-	49	342	216	1,224	3,563
$ 275	$ 598	$ 4,293	$ 1,973	$ 17,197	$36,261
$ (453)	$ 382	$ 349	$ (143)	$ 1,145	$ 1,832
$ (154)	$ 151	$ (969)	$ (123)	$ 8,473	$(6,422)
(13)	(18)	1,362	74	15,283	12,721
30	552	(103)	6	306	143
-	-	-	(12)	1,177	4
1,100	(303)	20	(88)	(22,717)	(4,590)
(1,416)	-	39	-	(1,377)	(24)
$ (453)	$ 382	$ 349	$ (143)	$ 1,145	$ 1,832

Prepared without audit

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
INTERNAL SERVICE FUND
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Business Licenses and Fees	$ 7	$ 59	$ (52)
Nonbusiness Licenses and Fees	464	271	193
Charges for Services	161,868	82,469	79,399
Fines and Forfeitures	71	73	(2)
Rents and Royalties	23,317	12,001	11,316
Sales Income (Net)	48,626	17,498	31,128
Other Revenues	721	251	470
Total Revenues	$235,074	$112,622	$122,452
Expenditures			
Personal Services	$108,187	$ 48,628	$ 59,559
Services and Supplies	58,419	27,992	30,427
Capital Outlay	17,153	8,297	8,856
Special Payments	990	326	664
Debt Service	-	440	(440)
Total Expenditures	$184,749	$ 85,683	$ 99,066
Excess (Deficiency) of Revenues Over Expenditures	$ 50,325	$ 26,939	$ 23,386
Other Financing Sources (Uses)			
Operating Transfers-in	18,744	15,541	3,203
Operating Transfers-out	(19,833)	(6,656)	(13,177)
Loan Proceeds	375	450	(75)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 49,611	$ 36,274	$ 13,337
Fund Equity Beginning		113,648	
Transactions Recorded During the Year But Charged to Prior Biennia			
Revenues		(1,802)	
Expenditures		362	
Activity not subject to budgetary guidelines:			
Revenues		23,583	
Expenditures		(60,025)	
Depreciation and Amortization		(10,372)	
GAAP Reclassification of Fund Equity		2,534	
Prior Period Adjustments		(3,251)	
Fund Equity Ending		$100,951	

Prepared without audit

TRUST AND AGENCY FUNDS

Trust and Agency Funds account for resources received and held by a governmental unit as trustee or agent for individuals, private organizations, and other governmental units to be expended or invested in accordance with the conditions of the trust or agency agreement.

STATE OF OREGON
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
JUNE 30, 1988

(Expressed in Thousands)

	PENSION TRUSTS	NONEXPENDABLE TRUSTS	
	PUB. EMPL. RETIREMENT SYSTEM	STATE LANDS	OTHER
ASSETS			
Cash and Investments	$8,532,697	$188,410	$1,340
Securities Held in Trust	-	769	-
Receivables	164,730	5,144	-
Interfund Receivables	373,076	179	-
Inventories	40	5	-
Prepaid and Deferred Charges	-	-	-
Contracts, Mortgages, and Notes Receivable	-	24	-
Land, Buildings, and Improvements	-	1,170	-
Equipment	1,097	383	-
Less Allowance for Depreciation	(421)	(166)	-
Total Assets	$9,071,219	$195,918	$1,340
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	$ 36,924	$ 416	$ -
Interfunds Payable	15,450	61	-
Due to Other Governments	2	13,511	-
Trust and Agency Funds Payable	-	20,805	-
Deferred Compensation Payable	-	-	-
Contracts, Mortgages & Notes Payable	-	1	-
Vacation Payable - Short-term	33	35	-
Deferred Income	-	23	-
Advances from Other Funds	-	-	-
Vacation Payable - Long-term	122	60	-
Total Liabilities	$ 52,531	$ 34,912	$ -
Fund Balances			
Reserved for Public Employes Retirement System	$9,018,688	$ -	$ -
Reserved for Trust Fund Principal	-	161,006	1,340
Fund Balance - Unreserved	-	-	-
Total Fund Balances	$9,018,688	$161,006	$1,340
Total Liabilities and Fund Balances	$9,071,219	$195,918	$1,340

EXPENDABLE TRUSTS				JUNE 30,	
EMPLOYMENT	RET. HEALTH INS. TRUST FUND	OTHER	AGENCY FUNDS	1988	1987
$487,590	$356,797	$ 6,189	$ 886,793	$10,459,816	$ 9,866,033
237	-	-	853,416	854,422	761,703
100,356	-	2,173	18,170	290,573	246,082
7	15,450	58	42,677	431,447	29,858
-	-	-	44	89	110
-	-	1,336	-	1,336	-
23,991	-	258	25,222	49,495	46,966
-	-	-	1,264	2,434	2,360
-	-	-	457	1,937	1,700
-	-	-	-	(587)	(470)
$612,181	$372,247	$10,014	$1,828,043	$12,090,962	$10,954,342
$ -	$ 17	$ 3,088	$ 7,558	$ 48,003	$ 37,773
-	373,010	66	40,386	428,973	7,675
1,642	-	-	4,107	19,262	23,803
1,029	-	164	1,680,270	1,702,268	1,489,974
-	-	-	95,722	95,722	76,866
-	-	-	-	1	-
-	-	-	-	68	58
23,991	-	258	-	24,272	24,099
-	-	-	-	-	7
-	-	-	-	182	164
$ 26,662	$373,027	$ 3,576	$1,828,043	$ 2,318,751	$ 1,660,419
$ -	$ (780)	$ -	$ -	$ 9,017,908	$ 8,693,962
-	-	-	-	162,346	152,273
585,519	-	6,438	-	591,957	447,688
$585,519	$ (780)	$ 6,438	$ -	$ 9,772,211	$ 9,293,923
$612,181	$372,247	$10,014	$1,828,043	$12,090,962	$10,954,342

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	EMPLOYMENT	RET. HEALTH INS. TRUST FUND	OTHER	FISCAL YEAR ENDED JUNE 30, 1988	1987
Revenues					
Employer - Employe Taxes	$ 328,348	$ -	$ -	$ 328,348	$ 318,772
Other Taxes	-	-	1,000	1,000	980
Federal Revenues	7,611	-	1,520	9,131	8,094
Charges for Services	-	-	20	20	-
Interest and Investment Income	36,742	21,279	542	58,563	29,360
Sales Income	-	-	2	2	-
Donations and Grants (Nonfederal)	-	-	2,132	2,132	1,005
Other Revenues	-	-	2,071	2,071	2,617
Total Revenues	$ 372,701	$ 21,279	$ 7,287	$ 401,267	$ 360,828
Expenditures					
Personal Services	$ -	$ -	$ 26	$ 26	$ 74
Services and Supplies	-	610	1,496	2,106	1,063
Capital Outlay	-	-	827	827	1
Special Payments	216,750	171	7,794	224,715	264,836
Total Expenditures	$ 216,750	$ 781	$10,143	$ 227,674	$ 265,974
Excess (Deficiency) of Revenues Over Expenditures	$ 155,951	$ 20,498	$(2,856)	$ 173,593	$ 94,854
Other Financing Sources (Uses)					
Operating Transfers-in	$ 1,425	$ -	$ 3,846	$ 5,271	$ 232,757
Operating Transfers-out	(13,912)	-	(276)	(14,188)	(233,800)
Loan Repayments	73	-	-	73	73
Total Other Financing Sources (Uses)	$ (12,414)	$ -	$ 3,570	$ (8,844)	$ (970)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 143,537	$ 20,498	$ 714	$ 164,749	$ 93,884
Fund Balances - Beginning	$ 441,982	$ -	$ 5,706	$ 447,688	$ 353,951
Prior Period Adjustments	-	-	18	18	(147)
Fund Balances-Beginning - As Restated	$ 441,982	$ -	$ 5,724	$ 447,706	$ 353,804
Residual Equity Transfer In	-	350,000	-	350,000	-
Residual Equity Transfer Out	-	(371,278)	-	(371,278)	-
Fund Balances - Ending	$ 585,519	$ (780)	$ 6,438	$ 591,177	$ 447,688

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES
PENSION TRUSTS AND NONEXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	PENSION TRUSTS	NONEXPENDABLE TRUSTS			
	PUB. EMPL. RETIREMENT SYSTEM	STATE LANDS	OTHER	FISCAL YEAR ENDED JUNE 30, 1988	1987
Operating Revenues					
Contributions	$ 465,389	$ -	$ -	$ 465,389	$ 427,549
Interest and Investment Income	342,881	18,040	82	361,003	1,666,804
Nonbusiness Licenses	-	61	-	61	54
Charges for Services	-	195	-	195	99
Rents and Royalties	-	1,353	-	1,353	1,938
Sales Income	-	12,844	-	12,844	7,845
Donations and Grants (Nonfederal)	-	133	1	134	-
Other Revenues	85	1,187	-	1,272	1,075
Gain (Loss) on Disposition of Equipment	(22)	(19)	-	(41)	-
Total Operating Revenues	$ 808,333	$ 33,794	$ 83	$ 842,210	$2,105,364
Operating Expenses					
Salaries and Wages	$ 2,922	$ 3,088	$ -	$ 6,010	$ 5,330
Services and Supplies	2,280	2,739	-	5,019	4,909
Benefit Payments	318,840	-	-	318,840	287,548
Distributions to Governments	-	17,960	-	17,960	16,791
Depreciation	128	32	-	160	145
Total Operating Expenses	$ 324,170	$ 23,819	$ -	$ 347,989	$ 314,723
Net Income (Loss) Before Operating Transfers	$ 484,163	$ 9,975	$ 83	$ 494,221	$1,790,641
Operating Transfers-in	-	414	127	541	669
Operating Transfers-out	(39)	(185)	(82)	(306)	(381)
Net Income (Loss)	$ 484,124	$ 10,204	$ 126	$ 494,456	$1,790,929
Fund Balances - Beginning	$8,693,962	$151,055	$ 1,218	$8,846,235	$7,055,401
Prior Period Adjustments	(180,676)	(250)	(6)	(180,932)	(81)
Fund Balances - Beginning - As Restated	$8,513,286	$150,805	$ 1,212	$8,665,303	$7,055,320
Residual Equity Transfer In	371,278	-	-	371,278	-
Residual Equity Transfer Out	(350,000)	(3)	-	(350,003)	(14)
Fund Balances - Ending	$9,018,688	$161,006	$ 1,340	$9,181,034	$8,846,235

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN
FINANCIAL POSITION
PENSION TRUST AND NONEXPENDABLE TRUST FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	PENSION TRUSTS	NONEXPENDABLE TRUSTS		FISCAL YEAR ENDED JUNE 30,	
	PUB. EMPL. RETIREMENT SYSTEM	STATE LANDS	OTHER	1988	1987
Sources of Working Capital					
Operations:					
Net Income (Loss)	$484,124	$10,204	$ 128	$494,456	$1,790,929
Items Not Requiring (Providing) Working Capital					
Depreciation	128	31	-	159	144
Compensated Absences	19	(1)	-	18	44
Total Provided by Operations	$484,271	$10,234	$ 128	$494,633	$1,791,117
Prior Period Adjustments	(180,676)	(250)	(6)	(180,932)	27
Disposal of Property and Equipment	22	25	-	47	29
Loan Proceeds	-	-	-	-	1
Loan Repayments	-	13	-	13	-
Lease Proceeds	-	1	-	1	-
Residual Equity Transfer In	371,278	-	-	371,278	-
Total Provided	$674,895	$10,023	$ 122	$685,040	$1,791,174
Uses of Working Capital					
Acquisition of Property	$ 300	$ 331	$ -	$ 631	$ 532
Payment of Other Long Term Liabilities	-	7	-	7	-
Loans Made	-	-	-	-	37
Contract Payments Made	-	-	-	-	8
Residual Equity Transfer Out	350,000	3	-	350,003	14
Total Applied	$350,300	$ 341	$ -	$350,641	$ 591
Net Increase (Decrease) in Working Capital	$324,595	$ 9,682	$ 122	$334,399	$1,790,583
Elements of Net Increase (Decrease) in Working Capital					
Cash and Investments	$(68,770)	$11,899	$ 120	$(56,751)	$1,778,663
Receivables	413,627	567	-	414,194	33,613
Inventories	7	1	-	8	(10)
Payables	(20,269)	(2824)	2	(23,091)	(21,720)
Deferred Income	-	39	-	39	37
Net Increase (Decrease) in Working Capital	$324,595	$ 9,682	$ 122	$334,399	$1,790,583

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS

(Expressed in Thousands)

	BALANCE JULY 1, 1987	ADDITIONS	DELETIONS	BALANCE JUNE 30, 1988
Assets				
Cash and Investments	$ 736,984	$1,016,246	$ 866,437	$ 886,793
Securities Held in Trust	760,543	254,045	161,172	853,416
Receivables	15,026	30,470	27,326	18,170
Interfund Receivables	29,835	243,005	230,163	42,677
Inventories	73	-	29	44
Contracts, Notes and Mortgage Receivable	22,892	271,066	268,736	25,222
Land, Buildings and Improvements	1,490	61	287	1,264
Equipment	462	16	21	457
Total Assets	$1,567,305	$1,814,909	$1,554,171	$1,828,043
Liabilities				
Accounts Payable	$ 2,795	$ 73,364	$ 68,601	$ 7,558
Due to Other Governments	9,301	138,668	143,862	4,107
Interfund Payables	7,549	476,759	443,922	40,386
Trust Funds Payable	1,470,794	417,551	208,075	1,680,270
Deferred Comp. Payable	76,866	23,365	4,509	95,722
Total Liabilities	$1,567,305	$1,129,707	$ 868,969	$1,828,043

Prepared without audit.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
TRUST AND AGENCY FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Selective Sales and Use Taxes	$ 16,913	$ 8,374	$ 8,539
Gross Receipts Business Taxes	11,231	10,669	562
Employer-Employe Taxes	112,426	58,133	54,293
Severance Taxes	55,415	25,370	30,045
Other Taxes	1,700	1,000	700
Nonbusiness Licenses and Fees	120	60	60
Federal Revenues	2,866	2,361	505
Charge for Services	148	1,303	(1,155)
Fines and Forfeitures	5	63	(58)
Rents and Royalties	2,927	1,365	1,562
Interest and Investment Income	906,544	361,315	545,229
Sales Income (Net)	16,482	12,849	3,633
Donations and Grants (Nonfederal)	13	1,215	(1,202)
Contributions	908,277	465,389	442,888
Other Revenues	687	4,188	(3,501)
Total Revenues	$2,035,754	$ 953,654	$1,082,100
Expenditures			
Personal Services	$ 13,406	$ 5,984	$ 7,422
Services and Supplies	11,375	5,613	5,762
Capital Outlay	1,538	1,208	330
Special Payments	1,000	811	189
Total Expenditures	$ 27,319	$ 13,616	$ 13,703
Excess (Deficiency) of Revenues Over Expenditures	$2,008,435	$ 940,038	$1,068,397
Other Financing Sources (Uses)			
Operating Transfers-in	27,626	18,356	9,270
Operating Transfers-out	(32,808)	(365,982)	333,174
Transfers to Counties and Cities	(197,107)	(103,064)	(94,043)
Transfers-out - Other	-	(228)	228
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$1,806,146	$ 489,120	$1,317,026
Fund Balances Beginning		9,293,923	
Transactions Recorded During the Year But Charged to Prior Biennia			
Revenues		412	
Expenditures		1,127	
Activity not subject to budgetary guidelines:			
Revenues		804,298	
Expenditures		(615,468)	
Increase (Decrease) in Reserves			
Inventories		-	
Proprietary-Type Trusts		-	
Other		-	
Depreciation		(160)	
GAAP Reclassification of Fund Balances		(20,124)	
Accounting Change		-	
Prior Period Adjustments		(180,914)	
Residual Equity Transfers - out		(3)	
Fund Balances Ending		$9,772,211	

Prepared without audit.

COLLEGE AND UNIVERSITY FUNDS

The College and University Funds account for the resources received and used to operate Oregon's institutions of higher education and medical teaching hospitals.

STATE OF OREGON
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1988

(Expressed in Thousands)

	CURRENT FUNDS		
ASSETS	CURRENT GENERAL	AUXILIARY ENTERPRISE	RESTRICTED
Cash and Investments	$13,136	$2,789	$ 5,812
Receivables	29,922	2,971	17,573
Interfund Receivables	10,555	51	193
Inventories	4,714	3,297	-
Prepaid and Deferred Expenses	4,579	294	1
Contracts, Mortgages, and Notes Receivable	-	-	-
Fixed Assets	-	-	-
Total Assets	$62,906	$9,402	$23,579
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts and Interest Payable	$16,699	$1,798	$1,874
Interfund Payables	67	33	6
Due to Other Governments	-	-	-
Trust Funds Payable	1,586	-	-
Advances from Other Funds	-	-	-
Contract, Mortgages, and Notes Payable	-	-	-
Matured Bonds and Coupons Payable	-	-	-
General Obligation Bonds Payable	-	-	-
Vacation Payable - Long-Term	11,849	860	1,899
Deferred Income	9,629	3,207	1,847
Total Liabilities	$39,830	$5,898	$ 5,626
Fund Balances			
Net Investment in Plant	$ -	$ -	$ -
Fund Balances - Reserved	4,155	-	17,953
Fund Balances - Unreserved	18,921	3,504	-
Total Fund Balances	$23,076	$3,504	$17,953
Total Liabilities and Fund Balances	$62,906	$9,402	$23,579

FIDUCIARY FUNDS			PLANT FUNDS			JUNE 30,	
LOAN FUNDS	ENDOWMENT FUNDS	AGENCY FUNDS	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	1988	1987
$ 6,288	$32,988	$2,745	$59,157	$40,465	$ -	$ 163,380	$ 125,003
2,989	109	21	924	1,073	-	55,582	55,318
-	-	-	56	-	-	10,855	27,191
-	-	-	-	-	-	8,011	7,661
-	-	-	-	-	-	4,874	4,401
64,956	-	-	-	-	-	64,956	64,035
-	-	-	-	-	980,693	980,693	849,104
$74,233	$33,097	$2,766	$60,137	$41,538	$980,693	$1,288,351	$1,132,713
$ -	$ -	$ 128	$ 2,329	$ -	$ 44	$ 22,872	$ 20,152
-	-	-	7	43	-	156	210
-	-	-	76	-	-	76	76
-	-	2,638	-	-	-	4,224	5,005
-	-	-	-	-	300	300	-
-	-	-	-	-	2,971	2,971	1,301
-	-	-	-	552	-	552	298
-	-	-	-	-	174,694	174,694	144,024
-	-	-	-	-	-	14,608	11,877
11	-	-	-	170	-	14,864	12,691
$ 11	$ -	$2,766	$ 2,412	$ 765	$178,009	$ 235,317	$ 195,634
$ -	$ -	$ -	$ -	$ -	$802,684	$ 802,684	$ 703,779
74,222	30,070	-	57,725	40,773	-	224,898	189,017
-	3,027	-	-	-	-	25,452	44,283
$74,222	$33,097	$ -	$57,725	$40,773	$802,684	$1,053,034	$ 937,079
$74,233	$33,097	$2,766	$60,137	$41,538	$980,693	$1,288,351	$1,132,713

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - ALL COLLEGE AND UNIVERSITY FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	CURRENT FUNDS		
	CURRENT GENERAL	AUXILIARY ENTERPRISE	RESTRICTED
Revenues			
Federal Revenues	$ 29,165	$ -	$100,783
Charges for Services	269,872	77,444	9,157
Fines and Forfeitures	388	36	-
Rents and Royalties	589	-	12
Interest and Investment Income	346	543	4,783
Donations and Grants (Nonfederal)	1,742	1,330	34,165
Other Revenues	7,407	2,510	21,404
Total Revenues	$ 309,509	$81,863	$170,304
Expenditures			
Personal Services	$ 429,467	$32,668	$ 87,014
Services and Supplies	131,487	$40,419	40,602
Capital Outlay	22,830	31	9,034
Special Payments	5,446	1,619	39,686
Debt Service	204	210	48
Total Expenditures	$ 589,434	$74,947	$176,384
Excess (Deficiency) of Revenues Over Expenditures	$(279,925)	$ 6,916	$ (6,080)
Other Financing Sources (Uses)			
Transfers-in	$ 268,367	$ 321	$ 10,920
Transfers-out	(3,050)	(7,960)	(1,653)
Bond Proceeds	-	-	-
Increase in Fixed Assets	-	-	-
Increase in Long-Term Liabilities	-	-	-
Total Other Financing Sources (Uses)	$ 265,317	$(7,639)	$ 9,267
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ (14,608)	$ (723)	$ 3,187
Fund Balances - Beginning	37,684	4,227	14,766
Fund Balances - Ending	$ 23,076	$ 3,504	$ 17,953

FIDUCIARY FUNDS			PLANT FUNDS			FISCAL YEAR ENDED JUNE 30,	
LOAN FUNDS	ENDOWMENT FUNDS	AGENCY FUNDS	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	1988	1987
$ 365	$ -	$ -	$ 12,007	$ 347	$ -	$ 142,667	$ 135,224
-	1	-	1	2,515	-	358,990	327,717
-	-	-	-	-	-	424	393
-	-	-	-	-	-	601	661
2,257	170	-	2,728	5,399	-	16,226	12,962
47	1,050	-	3,082	10	-	41,426	49,144
482	1,790	-	10,368	4,781	-	48,742	19,110
$ 3,151	$ 3,011	$ -	$ 28,186	$ 13,052	$ -	$ 609,076	$ 545,211
$ -	$ -	$ -	$ 102	$ -	$ -	$ 549,251	$ 504,266
210	27	-	25,980	17	-	238,742	214,869
-	-	-	42,343	-	-	74,238	67,754
1	-	-	-	48	-	46,800	43,241
-	-	-	762	18,322	-	19,546	16,731
$ 211	$ 27	$ -	$ 69,187	$ 18,387	$ -	$ 928,577	$ 846,861
$ 2,940	$ 2,984	$ -	$(41,001)	$ (5,335)	$ -	$ (319,501)	$(301,650)
$ 124	$ 1,381	$ -	$ 47,644	$ 19,106	$ -	$ 347,863	$ 323,274
(151)	(1,268)	-	(25,861)	(10,157)	-	(50,100)	(30,898)
-	-	-	38,788	-	-	36,788	14,350
-	-	-	-	-	132,141	132,141	69,059
-	-	-	-	-	(33,236)	(33,236)	(5,675)
$ (27)	$ 113	$ -	$ 60,571	$ 8,949	$ 98,905	$ 435,456	$ 370,110
$ 2,913	$ 3,097	$ -	$ 19,570	$ 3,614	$ 98,905	$ 115,955	$ 68,460
71,309	30,000	-	38,155	37,159	703,779	937,079	868,619
$74,222	$33,097	$ -	$ 57,725	$ 40,773	$802,684	$1,053,034	$ 937,079

Prepared without audit.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL COLLEGE AND UNIVERSITY FUNDS
FISCAL YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

	1987-89 BUDGET	1ST YEAR ACTUALS	BALANCE 2ND YEAR
Revenues			
Federal Revenues	$ 81,200	$ 31,289	$ 49,911
Charges for Services	223,859	107,950	115,909
Fines and Forfeitures	-	385	(385)
Interest Income	305	627	(322)
Donations and Grants (Nonfederal)	6,897	4,017	2,880
Other Revenues	14,938	9,688	5,250
Total Revenues	$ 327,199	$ 153,956	$ 173,243
Expenditures			
Personal Services	$ 697,656	$ 328,791	$ 368,865
Services and Supplies	126,268	60,582	65,686
Capital Outlay	195,200	45,070	150,130
Special Payments	100	121	(21)
Debt Service	11,000	5,401	5,599
Total Expenditures	$1,030,224	$ 439,965	$ 590,259
Excess (Deficiency) of Revenues Over Expenditures	$ (703,025)	$ (286,009)	$(417,016)
Other Financing Sources (Uses)			
Operating Transfers-in	646,709	346,272	300,437
Operating Transfers-out	-	(50,021)	50,021
Bond Sales/Loan Proceeds	69,737	38,987	30,750
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	$ 13,421	$ 49,229	$ (35,808)
Fund Balances Beginning		937,079	
Transactions Recorded During The Year But Charged to Prior Biennia			
Revenues		1,647	
Expenditures		(24,692)	
Activity not subject to budgetary guidelines:			
Revenues		454,873	
Expenditures		(461,276)	
GAAP Reclassification of Fund Balances		(2,731)	
Net Increase in Investment in Plant		98,905	
Fund Balances Ending		$1,053,034	

Prepared without audit.

GENERAL FIXED ASSETS ACCOUNT GROUP

General Fixed Assets Account Group accounts for fixed assets acquired through governmental-type funds.

STATE OF OREGON
SCHEDULE OF GENERAL FIXED ASSETS
JUNE 30, 1988

(Expressed in Thousands)

	JUNE 30, 1988	JUNE 30, 1987
Land	$136,806	$133,569
Buildings	172,154	162,454
Improvements Other than Buildings	52,500	49,381
Construction in Process	15,944	12,587
Equipment and Machinery	260,182	242,047
Data Processing Software	3,039	2,425
Leasehold Improvements	1,845	2,524
Capital Leased Property	22	68
Total General Fixed Assets	$642,492	$605,055

Prepared without audit.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

General Long-Term Debt Account Group accounts for long-term debt other than those incurred in Proprietary, Special Assessment, and certain Trust Funds.

STATE OF OREGON
SCHEDULE OF GENERAL LONG-TERM DEBT
JUNE 30, 1988

(Expressed in Thousands)

	JUNE 30, 1988	JUNE 30, 1987
AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF LONG-TERM DEBT		
Amount Available in Debt Service Fund	$113,640	$118,283
Amount to be Provided - Long-Term Debt	202,730	72,777
Amount to be Provided - Vacation Payable	21,980	20,355
Total Available and to be Provided	$338,350	$211,415
GENERAL LONG-TERM DEBT PAYABLE		
Bonds Payable		
Community College and Education Center	$ 29,180	$ 30,780
Oregon Pollution Control	112,075	121,175
Oregon State Highway	107,100	30,400
Total	$248,355	$182,355
Other Long-Term Liabilities		
Advances From Other Funds —	-	1,587
Contracts, Mortgages, & Notes Payable	2,522	2,263
Obligations under Capital Lease	-	182
Lease Purchase Contracts Payable	7,904	4,673
Vacation Payable	21,980	20,355
Claim Loss Liability	57,589	-
Total in Long-Term Debt Account Group	$338,350	$211,415

Prepared without audit.

STATISTICAL AND ECONOMICAL INFORMATION

The Portland Rose Festival is held annually in June. The festivities kick-off with the Queen's Coronation, Milk Carton Boat Races, Starlight Parade, Junior Parade and Golden Rose Ski Classic and continues with the Grand Floral Parade, air show, CART races and hot air balloon classic. The 17-day Rose Festival brings ships, parades, jets, bands, horses, celebrities and beauty queens. And, it all happens in Portland, Oregon.

The Portland Rose Festival will celebrate its 81st year in June 1989.

Photos Courtesy of
Portland Rose Festival Association

STATE OF OREGON
REDISTRIBUTIONS OF REVENUE
FOR THE YEAR ENDED JUNE 30, 1988

(Expressed in Thousands)

Numerous moneys are distributed biennially by the State to local governmental units and individuals. Redistributions of revenue are recorded and reported in various ways by the state agencies depending on their legislatively-approved budgets. This is a summary of the distributions that are reported as Transfers-out, Special Payments Expenditures, or Nonlimited Expenditures in the financial statements. During 1987-88 the State of Oregon made the following distributions:

	1987-88 TOTAL	NONLIMITED FUNDS	OTHER FUNDS	FEDERAL FUNDS	STATE GENERAL FUND
Cities	$ 85,477	$ 21,300	$ 55,589	$ 7,636	$ 952
Counties	472,271	152,355	216,872	38,223	64,821
Other Governmental Units	16,858	6,867	521	5,589	3,881
Nongovernmental Units	96,750	26,592	1,511	63,069	5,578
Individuals	713,730	336,035	16,714	211,084	149,897
Local School Districts	615,442	493,406	5,575	92,982	23,479
Community Colleges	70,371	3	628	3,951	65,789
Other (A)	118,739	19,496	90,833	5,661	2,749
Total	**$2,189,638**	**$1,056,054**	**$388,243**	**$428,195**	**$317,146**

(A) Some state agencies are using "Other" instead of the more specific classification.

STATE OF OREGON
HISTORICAL STATEMENT OF
BUDGETARY REVENUES

(Expressed in Thousands)

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Income Taxes	$1,450,829	$1,594,011	$1,347,606	$1,473,286	$1,365,762	$1,319,803	$1,093,073	$1,165,123	$1,045,400	$973,683
Selective Sales and Use Taxes	403,497	373,314	337,548	267,390	272,183	248,258	213,593	197,267	200,890	145,084
Gross Receipts Business Taxes	71,360	64,697	54,843	47,483	42,014	39,801	40,338	40,376	38,996	36,683
Employer — Employe Taxes	496,477	499,638	473,911	445,432	405,461	378,088	317,043	73,416	551,738	581,742
Inheritance and Gift Taxes	12,982	34,711	25,937	29,201	33,705	35,760	42,216	35,428	27,358	30,395
Severance Taxes	27,557	27,538	26,944	31,027	29,879	48,486	47,625	49,975	53,345	42,739
Other Taxes	21,609	15,365	14,310	14,698	14,125	12,768	6,846	4,431	3,905	3,429
Business Licenses and Fees	40,770	34,459	33,190	29,589	32,268	26,363	27,642	27,771	21,068	24,467
Nonbusiness Licenses and Fees	128,474	105,095	120,560	97,775	91,198	85,462	82,492	76,393	75,181	124,187
Federal Revenues	1,225,402	1,190,536	1,106,571	1,087,678	953,033	988,338	910,698	1,069,192	915,315	721,820
Charges for Services	632,330	576,775	517,911	568,261	570,252	524,738	464,000	423,678	374,222	352,393
Fines and Forfeitures	25,335	33,671	16,766	19,359	29,481	17,358	7,187	5,659	5,958	4,253
Rents and Royalties	18,738	19,434	19,753	18,347	18,863	16,746	21,937	17,715	20,910	13,899
Bond Sales	370,800	530,350	1,120,459	399,220	218,970	520,525	251,100	1,159,080	1,192,640	734,754
Interest Income (A)	919,831	2,391,011	1,492,935	1,236,156	1,028,705	931,077	683,229	604,040	500,672	384,230
Sales Income	430,035	355,287	368,690	308,923	278,498	247,786	233,695	225,505	222,357	206,115
Cost of Goods Sold	(150,042)	(151,797)	(164,782)	(151,724)	(150,553)	(125,679)	(80,157)	(81,044)	(76,523)	(71,389)
Donations and Grants (Nonfederal)	50,040	54,912	47,545	39,179	39,868	35,458	36,225	26,860	28,130	26,346
Contributions (Retirement)	465,455	642,417	818,261	781,698	720,416	692,798	700,085	632,452	496,872	431,088
Loan Repayments	554,403	609,428	532,282	507,035	451,564	407,478	268,507	217,540	222,229	20,010
SAIF Assessment	—	—	—	—	—	81,000	—	—	—	—
Workers' Compensation Premiums	293,092	221,868	177,875	139,607	169,247	*	*	237,497	*	*
Other Revenue	143,559	137,817	170,210	74,643	70,785	94,223	68,917	43,797	94,364	36,461
Loan Proceeds	3,068	5,302	502	14,642	13,349	—	4,785	—	—	—
Revenue Transfers (Net)	592,801	291,917	112,408	77,700	174,182	76,916	46,758	75,301	(89,704)	22,328
Total Revenue	**$8,228,402**	**$9,657,756**	**$8,772,235**	**$7,556,605**	**$6,873,255**	**$6,703,551**	**$5,487,834**	**$6,327,452**	**$5,925,293**	**$4,844,717**

* Included in Employer - Employe Taxes

(A) Includes income reported on Public Employes' Retirement Fund for increases in the valuation of investments to market value.

STATE OF OREGON
HISTORICAL STATEMENT OF
BUDGETARY EXPENDITURES
BY BUDGET AUTHORITY

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,									
STATE GENERAL FUND EXPENDITURES	**1988**	**1987**	**1986**	**1985**	**1984**	**1983**	**1982**	**1981**	**1980**	**1979**
Personal Services	$ 516,651	$ 496,935	$ 461,138	$ 416,795	$ 386,337	$ 342,682	$ 362,855	$ 325,879	$ 312,239	$ 264,804
Services and Supplies	156,949	140,387	139,856	130,741	112,291	93,636	88,470	84,851	91,351	83,515
Capital Outlay	32,013	25,011	27,105	29,742	17,196	8,158	10,704	16,701	20,129	13,939
Special Payments	1,084,849	1,036,223	1,021,333	1,001,214	982,223	937,540	1,009,738	944,850	1,019,578	706,859
Debt Service	5,370	5,082	5,364	5,378	6,868	2,888	5,772	2,970	8,874	8,134
Total General Fund	**$1,873,714**	**$1,703,638**	**$1,654,796**	**$1,583,870**	**$1,504,915**	**$1,384,904**	**$1,477,539**	**$1,375,251**	**$1,452,171**	**$1,077,251**
OTHER FUND EXPENDITURES										
Personal Services	$ 444,672	$ 479,259	$ 457,599	$ 499,609	$ 501,771	$ 474,562	$ 418,665	$ 385,859	$ 352,988	$ 341,367
Services and Supplies	426,808	489,835	473,775	505,043	460,705	437,581	439,940	649,401	398,391	283,133
Capital Outlay	59,830	79,315	38,703	40,712	26,861	35,938	23,098	27,873	29,922	29,402
Special Payments	396,042	335,475	336,996	316,208	244,187	82,108	42,327	58,635	47,029	23,516
Debt Service	477	666	5,415	23,935	26,126	11,877	9,512	9,414	6,406	5,700
Total Other Funds	**$1,327,829**	**$1,384,550**	**$1,312,488**	**$1,385,507**	**$1,259,650**	**$1,042,066**	**$ 933,542**	**$1,131,182**	**$ 834,736**	**$ 683,118**
FEDERAL FUND EXPENDITURES										
Personal Services	$ 131,333	$ 122,507	$ 122,485	$ 119,910	$ 120,839	$ 118,280	$ 118,379	$ 110,592	$ 101,033	$ 90,276
Services and Supplies	56,945	46,857	54,354	50,689	43,514	42,068	40,565	41,098	38,685	33,871
Capital Outlay	4,700	7,739	6,222	6,201	4,527	2,764	2,473	6,504	3,102	3,800
Special Payments	565,307	519,763	487,405	452,529	387,767	375,773	326,840	422,289	362,405	357,893
Total Federal Funds	**$ 758,285**	**$ 696,866**	**$ 670,466**	**$ 629,329**	**$ 556,647**	**$ 538,885**	**$ 488,257**	**$ 580,483**	**$ 505,225**	**$ 485,840**
NONLIMITED FUND EXPENDITURES										
Personal Services	$ 366,858	$ 252,146	$ 231,844	$ 133,442	$ 124,364	$ 98,810	$ 95,283	$ 93,938	$ 83,157	$ 61,302
Services and Supplies	355,842	299,471	266,293	218,813	192,811	167,037	143,010	128,376	136,719	123,349
Capital Outlay	30,737	23,518	26,512	16,246	12,238	8,603	9,811	12,880	8,220	8,923
Special Payments	1,849,980	1,802,235	1,841,715	1,688,059	1,724,978	1,714,847	1,805,799	1,999,715	2,222,007	1,672,781
Debt Service	984,627	1,067,784	1,063,434	880,634	697,390	627,050	575,489	522,009	340,553	243,680
Other	77,882	102,966	28,794	30,432	26,476	24,276	3,133	3,436	1,909	—
Total Nonlimited Funds	**$3,665,926**	**$3,548,120**	**$3,458,592**	**$2,967,626**	**$2,778,257**	**$2,640,623**	**$2,632,525**	**$2,760,354**	**$2,792,565**	**$2,110,035**
Total Expenditures	**$7,625,754**	**$7,333,174**	**$7,096,342**	**$6,566,332**	**$6,099,469**	**$5,606,478**	**$5,531,863**	**$5,847,270**	**$5,584,697**	**$4,356,244**

This page intentionally left blank

ANALYSIS OF BONDED DEBT

The State of Oregon Constitution provides for the issuance of general obligation debt for a number of purposes. The State may also issue revenue bonds under various State laws.

General obligation bonds are secured by the full faith and credit of the government and are not deemed a primary obligation of any specific fund of the organization.

Revenue bonds such as the housing revenue bonds are not secured by the full faith and credit of the State nor are the bonds an obligation of the State. They are secured and payable only from the obligations of the mortgage lenders as collaterally secured by approved securities or to first mortgage liens on low income family residential property.

The following summary information is provided for the year ended June 30, 1985 to aid in analysis of State bonded debt.

Analysis of General Obligation Debt.
Summary of Outstanding Debt and Constitutional and Statutory Provisions.
Summary of Oregon State Constitutional Provisions regarding General Obligation Debt.

STATE OF OREGON
GENERAL OBLIGATION DEBT SUMMARY

(Expressed in Whole Dollars)

	JUNE 30,			
	1979	1980	1981	1982
Total General Obligation Debt	$3,594,024,000	$4,844,741,000	$5,523,265,000	$5,673,406,000
Revenue Supported General Obligation Debt.	$3,467,829,000	$4,607,123,000	$5,377,522,000	$5,532,548,000
Nonrevenue Supported General Obligation Debt	$126,195,000	$138,618,000	$145,743,000	$142,038,000
Population[1]	2,584,350	2,639,915	2,660,735	2,656,185
Total Debt per Capita	$1,390.69	$1,835.19	$2,075.84	$2,135.92
True Cash Value (TCV)	$59,025,276,078	$73,401,711,033	$82,426,835,098	$86,428,611,621
Total Debt as Percent TCV	6.09%	6.60%	6.70%	6.56%
Nonrevenue Supported General Obligation Debt per Capita	$49.60	$52.38	$54.78	$53.47
Nonrevenue Supported General Obligation Debt as Percent TCV	.21%	.19%	.18%	.16%
Total Personal Income[2]	$19,686,000,000	$22,336,000,000	$24,700,000,000	$26,527,600,000
Revenue Supported General Obligation Debt as Percent Total Personal Income	17.62%	21.07%	21.77%	20.86%
Nonrevenue Supported General Obligation Debt as Percent Total Personal Income	.64%	.62%	.59%	.54%

[1] Population figures are as of July 1 each year, except that no new population figures are available after July 1, 1986. Source: Center for Population Research, Portland State University.

[2] Total personal income is based on calendar year averages of preceding year; this tends to overstate percentages shown. Sources: State of Oregon, Department of Human Resources, Employment Division, Information Systems Division; State of Oregon, Executive Department, Office of Economic Analysis (1987). Detailed Components of Personal Income (Microfiche), U.S. Department of Commerce, Bureau of Economic Analysis, August 1984.

JUNE 30,					
1983	1984	1985	1986	1987	1988
$5,893,090,000	$5,617,356,000	$5,535,043,000	$6,376,368,000	$6,232,320,000	$6,054,546,000
$5,749,380,000	$5,479,246,000	$5,402,845,000	$6,250,433,000	$6,131,159,000	$5,957,023,000
$143,710,000	$138,110,000	$132,197,500	$125,935,000	$101,211,000	$97,523,000
2,635,000	2,660,000	2,675,800	2,659,500	2,690,000	2,739,000
$2,236.47	$2,111.88	$2,068.56	$2,397.58	$2,316.87	$2,210.49
$85,364,563,949	$85,399,676,330	$83,034,800,482	$82,944,411,643	$83,110,546,821	$83,110,546,821
6.90%	6.58%	6.67%	7.76%	7.50%	7.28%
$54.54	$51.92	$49.40	$47.35	$37.63	$35.60
.17%	.17%	.16%	.15%	.12%	.12%
$27,078,200,000	$36,302,000,000	$34,113,000,000	$36,207,000,000	$37,826,000,000	$37,826,000,000
21.23%	16.96%	15.48%	17.35%	16.21%	14.73%
.53%	.43%	.39%	.35%	.27%	.26%

STATE OF OREGON
OUTSTANDING DEBT
AND CONSTITUTIONAL AND STATUTORY PROVISIONS[1]
as of October 18, 1988

(Expressed in Thousands)

PURPOSE/DEPARTMENT	CONSTITU. PROVISION[2]	CONSTITU. DEBT LIMIT[2]	STATUTORY DEBT LIMIT	AMOUNT ISSUED[8]	AMOUNT OUTSTAND.[8]	AUTHORIZA. REMAINING[4]
GENERAL OBLIGATION BONDS						
General Fund:						
Higher Education Facilities	ART XI-G	.75% TCV	—	$106,877	$58,754	$ —
Community College Bonds	ART XI-G	.75% TCV	—	44,645	29,120	549,784
State Power Development	ART XI-D	1.5% TCV	—	—	—	1,246,658
General Purpose Bonds[3]	ART XI-Sec 7	$50	—	—	—	50
Forest Rehabilitation Bonds	ART XI-E	.1875% TCV	$750/yr (ORS 530.230)	13,350	—	155,832
Partially General Fund supported:						
Pollution Control Bonds Bonds (15.5%)[5]	ART XI-H	1% TCV	$260,000 (ORS 468.195)	187,500	16,406	150,625
Fully Self-Supporting:						
Higher Education Building Projects	ART XI-F[1]	.75% TCV	—	228,489	118,356	504,973
State Highway Bonds	ART XI-Sec 7	1.0 % TCV			246,050	25,350
Water Resources Bonds	ART XI-I[1]	1.5% TCV	—	43,511	22,003	805,755
Elderly Multi-Family Housing Bonds	ART XI-I[2]	.5% TCV	—	102,690	100,125	1,224,655
Veterans' Welfare Bonds[6]	ART XI-A	8.0% TCV	—	7,719,403	5,344,603	315,428
Alternate Energy Projects	ART XI-J	.5% TCV	—	164,125	157,565	1,304,240
Pollution Control Bonds[5] (85% Partially Self-Supporting)	ART XI-H	[5]	—	[5]	92,969	257,988 [5]
Total General Obligation Bonds				**$8,856,640**	**$5,965,251**	**$6,515,988**

REVENUE BONDS						
Board of Forestry Forest Development Financing			$500 (ORS 530.140)	—	—	$500
Housing Agency Single-Family and Project Financing			$1,030,000 (ORS 456.661)	$675,014	$432,446[7]	$597,553
Oregon State Fair & Exposition Center			10,000 (ORS 565.095)	6,500	$6,320	$3,680
Department of Transportation - Highway User Tax			134,000 (ORS 367.615)	80,000	80,000	54,000
INDUSTRIAL DEVELOPMENT REVENUE BONDS						
Economic Development Department				$328,857	$188,468	—
Short-Term Debt [3]	Art XI-Sec 7	$50	(ORS 280.310)	—	—	$50

---

[1] Excludes $170,000,000 Veterans' Tax Notes due November 1, 1988.

[2] See page 129 for a summary of the major provisions.

[3] The State of Oregon may not incur indebtedness exceeding $50 without a constitutional amendment approved by the voters. The General Purposes and/or Short-Term Debt categories both reflect this single limitation.

[4] Based on January 1, 1987 True Cash Value (TCV) of $83,110,547,000.

[5] The amount of bonds issued to date and the authorization remaining are listed only with the general fund portion of the debt. Statutes require that pollution control bonds be no less than 70% self-supporting. Currently, 84.54% of pollution control debt is self-supporting and 15.46% is general fund supported.

[6] Excludes tax notes and tax-exempt commercial paper applicable to department's constitutional debt limit.

[7] For purposes of this report, Housing Division's outstanding revenue indebtedness and Department of Veterans' Affairs general obligation debt reflect the proceeds received from an original issue discount (OID) bond sale rather than the principal amount to be repaid.

[8] Includes all issues and advance refunding bonds since each program's inception.

[9] Excludes refunded bonds and $16,115 defeased by the Department of Water Resources.

NOTE: All Oregon Mass Transportation Financing Authority (OMTFA) bonds were advanced, refunded and defeased by an issue of the Tri-County Metropolitan Transit District (Tri-Met) during 1985 under authority granted by the 1985 Legislative Assembly.

STATE OF OREGON

Summaries of Oregon State Constitutional Provisions Regarding General Obligation Debt

ARTICLE IX

Section 2 of this Article states that the legislature shall provide for raising enough revenue to defray the expenses of the State for each fiscal year and also to pay the interest on the State debt. Section 3a of this Article restricts the use of gasoline taxes and other highway-user taxes to activities associated with the State's roads, including the retirement of bonds where these taxes have been pledged as the source of revenue. In addition, however, taxes on recreational vehicles may be used to acquire and care for parks and recreation areas. Section 6 requires the legislature to increase taxes to cover deficits occurring in the previous year and estimated expenses for the ensuing year.

ARTICLE XI

Section 7 provides that the total amount of credit loaned and debt or liability created by the State shall not exceed $50,000 except for building and maintaining roads which is limited to 1% TCV of property in the State. The section does not apply to real property leases up to 20 years entered into by the State for a public purpose.

ARTICLE XI-A

Section 1 of this Article authorizes the State to loan its credit and to incur indebtedness up to 8% TCV of taxable property in the State to create the Oregon War Veteran's Fund. Section 2 states that bonds of the Oregon War Veteran's Fund shall be a direct obligation of the State. An annual tax of up to 2 mills on all taxable property within the State is allowed by Section 4 as a source of interest and repayment for the bonds. This amount of tax, however, is limited by Statute to 0.25 mill.

ARTICLE XI-D

This Article authorizes lending the credit of or incurring indebtedness by the State up to 1.5% TCV of all taxable property in the State to provide funds primarily for the development of hydroelectric power.

ARTICLE XI-E

This Article authorizes lending the credit of or incurring indebtedness by the State up to 3/16% of 1% TCV of all taxable property in the State to provide funds for the reforestation of land which the State currently owns and that which it may acquire for the purpose of reforestation. Funds generated from the reforested lands must be used to repay any outstanding debt issued under this provision and property taxes are also authorized to assist in repaying this debt. A debt limit of $750,000/year is currently set by statute.

ARTICLE XI-F(1)

Here the constitution authorizes lending the credit of or incurring indebtedness by the State up to 3/4 of 1% TCV of all taxable property in the State to provide funds for higher education building projects. These projects must be wholly self-supporting and self-liquidating from revenues, gifts, grants or building fees. If the projects do not provide enough funds to repay the debt and the interest on the debt, property taxes are allowed.

ARTICLE XI-G

In addition to the debt provisions of Article XI-F(1) this article authorizes lending the credit of or incurring indebtedness by the State up to 3/4 of 1% of all taxable property in the State to raise funds for higher education projects (including those of community colleges). Unlike Article XI-F(1), however, these projects cannot be totally self-supporting. Property taxes are allowed to repay this debt and its interest. In addition, any funds spent under this provision must be matched by the legislature from the General Fund.

ARTICLE XI-H

Funds for pollution abatement projects of State and local government agencies may be raised under this section by lending the credit of or incurring indebtedness by the State of up to 1% TCV of all taxable property in the State. Facilities acquired under this program are required to "conservatively appear" to be at least 70% self-supporting and self-liquidating from revenues, gifts, grants from the Federal Government, user charges, assessments and other fees. Property taxes are provided as a source of additional revenue to support these bonds.

ARTICLE XI-I(1)

Funds for loans to construct water development projects for irrigation, drainage, fish protection and watershed restoration may be raised under this section by lending the credit of or incurring indebtedness by the State up to 1-1/2% TCV of all the taxable property within the State. Property taxes may be levied to repay this debt if revenues are insufficient.

ARTICLE XI-I(2)

Authorizes funds for additional financing for multi-family housing for elderly and disabled persons. The amount of credit loaned or debt incurred by the State for this purpose may not exceed 1/2 of 1% TCV of all taxable property in the State. Property taxes may be levied to repay this debt if revenues from loan repayments are insufficient.

ARTICLE XI-J

Authorizes the lending of the credit of or incurring of indebtedness by the State to provide funds for loans for small scale local energy projects, up to 1/2 of 1% TCV of all taxable property in the State. Property taxes may be levied to repay this debt if revenues from loan repayments are insufficient.

APPROVED BY:

ATTORNEY GENERAL, State of Oregon

THE STATE'S ECONOMY

An Overview

Oregon's nonagricultural employment growth in 1987 exceeded the United States' rate for the second consecutive year. While the decade of 1970 to 1980 marked a time of rapid growth, the early years of the 1980's were a period of retrenchment and job losses. Oregon finally regained prerecessionary nonagricultural employment levels (compared to 1979) in 1986, and continued growing quickly in 1987. Oregon ranked eleventh among all states in total nonagricultural employment growth during 1987.

The service and retail and wholesale trade sectors have contributed most of the job gains. In 1976, services comprised 17 percent and retail and wholesale trade 24 percent of total nonagricultural employment. Manufacturing contributed 22 percent. By 1987, services grew to 22 percent, retail and wholesale trade rose to 25 percent, but manufacturing shrank to 19 percent. During the period 1977 to 1987, services and retail and wholesale trade added 130,000 jobs while manufacturing dropped by 1,000.

Total state population and personal income followed similar trends. From 1975 to 1980, both population and personal income exceeded national growth rates. In the late 1970's, Oregon's population grew at a rate of two to three times the national average. The early 1980's marked a reversal of this trend, and population and personal income growth slowed to rates below the national average.

Recent economic trends have been favorable. In early 1987, the state's unemployment rate dipped below the U.S., and state employment growth exceeded the national average. Increased demand for wood products, primary metals, and machinery and rapidly growing nonmanufacturing sectors helped push the growth rates upward.

A mild climate, varied topography and rich soil support the nearly 100 agricultural commodities grown in Oregon and valued in terms of gross farm sales at over $2.0 billion in 1987. Much of this agricultural activity occurs in the Willamette River Valley in the western portion of the state. This valley also contains most of the state's population and much of the manufacturing activity.

Portland, located at the confluence of the Columbia and Willamette Rivers, remains Oregon's largest city and the hub of economic activity. The greater Portland area is a highly diversified manufacturing center on the West Coast. It is also the home of the Port of Portland, a significant seaport for trade between the western United States and the Pacific Rim nations.

Outside the Willamette Valley, those areas not devoted primarily to agriculture rely on the wood products industry and tourism. Although the wood products industry is still sensitive to economic fluctuations, increased automation and improved management are enabling the industry to reach all-time high production levels with fewer workers.

Summary of Economic Trends

Oregon's economy grew moderately in the two decades immediately following World War II. From 1950 to 1970, nonagricultural employment averaged 2.7 percent per year. In the 1970's, however, the state experienced rapid growth as population increased and economic diversification continued. Oregon's growth significantly outpaced the national average: from 1975 to 1980 nonagricultural employment growth averaged 6.1 percent per year and per capital income rose above the U.S.

The early 1980's recessions hit Oregon hard. In 1982, nonagricultural employment fell by 5.7 percent with most of the loss from the wood products industry. Oregon remains slightly more sensitive to economic cycles than the national average due to the forest products component of its economy. Although recessionary periods continue to be somewhat more pronounced in Oregon than in the nation as a whole, the higher proportion of nonmanufacturing jobs and restructuring of the lumber and wood industry has provided more stability.

While the high technology industries added a significant number of jobs in the late 1970's and early 1980's, the state has followed national trends and lost jobs as a result of the two year slump in the semiconductor, electronics and instruments industries. Lately, these industries have stabilized and started adding workers.

The high interest rates experienced early in this decade had a significant impact on certain sectors of the Oregon economy. The recession-sensitive wood products, housing, and construction industries were particularly hard hit. Rural counties of eastern and southern Oregon which depend on one or a combination of these industries experienced the greatest impact. Many of these counties have diversified more and have benefitted significantly from improved tourism traffic. In urban areas generally, and in Portland in particular, the diverse economic base has given a measure of insulation from the impacts of the recession.

By 1984, the state began to recover and experienced a higher employment growth rate at 4.2 percent, but this rate was still lower than the U.S. rate. The state finally surpassed prerecessionary employment levels in 1986 and has recently been growing faster than the U.S. average.

Tourism has been strong throughout the 1980's, due in part to the plentiful supplies of relatively low-cost automobile fuel and an improved national economy. Oregon's wood products industry is undergoing a

permanent restructuring, as many mills have automated and improved their productivity greatly. The state has committed itself to greater diversification of the economy by pursuing more foreign trade in the considerable markets of the Pacific Rim countries.

Employment and Unemployment

Nonagricultural Employment Trends

Between 1978 and 1987, total nonagricultural wage and salary employment in Oregon rose from 1,009,400 to 1,094,000, an increase of 8.4 percent. During this period, however, employment exhibited three different trends.

From 1977 through 1979, wage and salary job gains (+110,300) were very rapid as Oregon's commodity oriented economy benefited from rising inflation and strong housing construction following the 1974-75 recession.

In late 1979, the Federal Reserve adopted a major change in monetary policy in order to extinguish rampant inflation which had risen to 13.6 percent in 1979. This action precipitated a dramatic rise in interest rates, severely hurt credit-sensitive industries such as construction and lumber and wood products and plunged the nation into the worst recession since the 1930's. Oregon's housing-dependent economy was especially hard hit. Between 1979 and 1982, wage and salary employment plummeted by 9 percent to 960,800, a loss of 95,400 jobs.

While the severity of the recession eliminated many jobs, both in manufacturing (−42,800) and nonmanufacturing (−52,600), it also caused interest rates and the inflation rate eventually to drop significantly. This improvement, plus more stimulative federal monetary and fiscal policies, set the stage for another period of economic expansion beginning in early 1983. In the five year period between 1982 and 1987, Oregon's wage and salary employment increased by 14 percent to reach a new all-time high of 1,094,000, a gain of 133,200 jobs.

This expansion, which is still alive and well in 1988, differs from previous recovery periods. During the last five years, manufacturing employment has risen by only 19,200 and is still about 23,600 below its 1979 prerecession peak of 228,500. This slow rate of recovery largely reflects increased competition from foreign imports, automation and increased productivity. In the first half of the 1980's the rising foreign exchange value of the dollar made U.S. exported goods more expensive overseas, while foreign imports became cheaper to U.S. consumers. Although the dollar's exchange value has been falling since 1985, imports have captured a greater share of U.S. markets. Manufacturing firms in Oregon and the nation have responded by reducing their costs, restructuring their operations and automating production processes wherever possible. In some cases, these efficiencies have resulted in fewer jobs even though production volumes have recovered and reached new all-time highs. Oregon's primary industry, lumber and wood products, is one such example.

About 85 percent of the 133,200 new wage and salary jobs added in the 1982-87 period came in nonmanufacturing. Although every nonmanufacturing industrial category except mining, communications and utilities increased employment, the service and trade industries accounted for eight out of every ten new nonmanufacturing jobs. Job growth was especially strong in food stores, eating and drinking places, health care and business services. The following discussion of employment trends by sector is based on data compiled by Standard Industrial Classification (SIC) codes. Exhibit 2 presents Oregon nonagricultural wage and salary employment since 1978. Exhibit 3 compares Oregon and U.S. nonagricultural employment in 1987.

Manufacturing Employment Trends

The major trend which appeared in manufacturing employment in Oregon from 1978 to 1987 was the increasing diversification of the economy and decreasing dependence on lumber and wood products as the primary industry. Since 1950, lumber and wood manufacturing employment's share of total manufacturing employment has dropped from about 58 percent to about 32.9 percent.

The manufacturing of durable goods has consistently comprised a larger segment of manufacturing employment than nondurable goods. In the period from 1978 to 1987, durable goods have remained at 71-75 percent of total manufacturing employment, with nondurable goods staying between 25-29 percent of total manufacturing employment. Recessionary influences reduced manufacturing employment from 1979 peaks in the first years of this decade; however, 1987 showed a 10.3 percent gain in manufacturing employment over 1982 levels.

The area of manufacturing employment which has shown the greatest increase has been high technology industries, including machinery, electrical equipment, instruments and related products. Since 1954 when the industries entered Oregon, growth has been fairly steady, increasing from 12.2 percent of total manufacturing employment in 1970, to 23.4 percent in 1982 and declining slightly to 20.0 percent in 1987.

During 1987, Oregon's economy displayed some strong gains. Nonfarm payroll employment rose by 3.4 percent over 1986 to 1,094,000, eclipsing the previous all-time peak reached in 1979. The state's annual average unemployment rate declined to 6.2 percent in 1987 from 8.5 percent in 1986. This rate, the lowest since 1978, equaled the national rate of unemployment.

EXHIBIT 2

OREGON NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT (1)
CALENDAR YEARS AVERAGES 1972 STANDARD INDUSTRIAL CLASSIFICATION
(Numbers in Thousands)(2) (Not seasonally adjusted)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Total All Industries	$1009.4	$1,056.2	$1,044.6	$1,018.4	$960.8	$966.7	$1,006.9	$1,030.0	$1,058.5	$1,094.0
Manufacturing	219.1	228.5	215.1	202.7	185.7	188.8	201.1	199.3	198.4	204.9
Durable Goods	165.1	171.8	159.6	148.4	132.7	135.1	146.7	144.8	143.4	148.1
Lumber and Wood Products	81.4	81.2	69.5	63.8	55.6	62.6	66.7	63.6	64.6	67.4
Logging and Sawmills	41.4	41.9	36.9	33.0	29.1	32.8	35.4	33.5	33.4	34.4
Veneer and Plywood	24.5	24.3	20.5	19.0	16.7	17.7	17.6	16.3	16.8	17.7
Millwork and Structural Wood	8.0	7.7	6.2	6.1	5.2	7.2	8.2	8.8	9.5	10.1
Mobile Homes	3.0	3.0	2.1	1.9	1.3	1.5	1.7	1.4	1.3	1.4
Other Wood Products	4.5	4.3	3.8	3.8	3.3	3.5	3.8	3.7	3.7	3.8
Furniture and Fixtures	3.2	2.9	2.6	2.5	2.2	2.4	2.7	2.7	2.7	2.5
Stone, Clay and Glass Products	4.0	4.4	4.5	3.9	3.4	3.0	2.7	3.1	3.3	3.4
Primary Metals	10.4	11.1	11.0	10.2	8.1	7.5	9.1	8.8	8.6	9.3
Fabricated Metals	13.2	13.7	12.7	11.2	9.8	9.4	10.4	11.0	10.6	10.2
Machinery	15.4	17.3	17.7	18.0	16.5	15.2	15.9	15.5	15.0	15.5
Electrical Equipment and Supplies	6.1	8.6	9.8	10.0	10.1	10.7	13.8	13.9	12.9	13.4
Transportation Equipment	12.0	12.2	10.3	8.9	7.9	7.1	8.5	9.2	10.1	11.1
Instruments and Related Products	17.1	18.2	19.3	17.4	16.8	14.8	14.4	14.6	13.1	12.1
Miscellaneous Manufacturing	2.3	2.2	2.2	2.5	2.3	2.3	2.6	2.4	2.5	3.1
Nondurable Goods	54.0	56.7	55.5	54.3	53.0	53.8	54.5	54.5	55.0	56.8
Food and Kindred Products	24.4	25.2	24.3	23.8	23.7	24.2	24.1	23.8	23.7	23.8
Textile Mill Products	2.2	2.2	2.0	1.8	1.8	1.7	1.7	1.6	1.6	1.8
Apparel	3.4	3.5	3.2	2.8	2.7	2.6	2.8	2.4	2.3	2.5
Paper and Allied Products	8.8	9.8	10.4	10.3	9.6	9.3	9.0	9.1	9.1	9.2
Printing and Publishing	9.5	10.0	10.0	10.2	10.0	10.4	11.0	11.5	12.0	12.7
Chemicals and Allied Products	2.4	2.4	2.3	2.2	2.1	2.2	2.0	2.1	2.0	2.1
Petroleum Refining	0.6	0.7	0.6	0.5	0.5	0.5	0.5	0.4	0.5	0.5
Rubber and Plastic Products	2.4	2.6	2.4	2.4	2.3	2.5	2.8	3.2	3.4	3.8
Leather Products	0.3	0.3	0.3	0.3	0.3	0.5	0.5	0.4	0.4	0.5
Nonmanufacturing	790.3	827.7	829.5	815.7	775.1	779.1	805.8	830.7	860.1	889.1
Mining and Quarrying	2.2	2.4	2.3	2.2	1.8	1.6	1.6	1.5	1.4	1.4
Contract Construction	48.8	53.0	46.5	37.5	28.9	27.0	30.2	33.1	34.3	34.5
Transportation, Comm. and Utilities	56.9	60.0	60.5	59.3	56.7	55.4	57.1	57.3	57.2	58.3
Transportation	34.6	36.0	35.4	34.1	31.9	32.0	34.3	35.4	35.7	37.0
Communications	14.5	15.8	16.3	16.1	15.9	14.8	14.2	13.2	12.8	12.5
Utilities	7.8	8.2	8.8	9.1	8.9	8.7	8.6	8.7	8.7	8.8
Trade	245.6	256.6	255.6	253.5	238.7	242.6	253.0	258.6	267.3	276.3
Wholesale	63.2	67.0	67.4	67.0	62.7	62.6	64.5	65.8	67.4	69.1
Retail	182.4	189.8	188.2	186.5	176.0	180.0	188.4	192.8	199.9	207.2
Finance, Insurance, and Real Estate	64.2	69.1	70.0	68.5	64.9	64.5	65.4	66.8	69.5	71.7
Services	175.5	185.7	191.4	192.1	188.6	194.6	204.5	215.6	230.2	242.4
Government	197.1	200.7	203.2	202.6	195.5	192.3	194.1	197.7	200.2	204.5
Federal	29.1	29.9	30.8	29.5	29.1	29.0	29.3	29.6	29.6	30.2
State	53.6	54.4	55.3	53.1	50.8	51.7	52.3	53.8	54.6	56.9
Local	114.4	116.4	117.1	120.0	115.6	111.5	112.5	114.3	116.0	117.5

(1) Includes full and part-time nonfarm wage and salary workers. Job totals are on a place of work basis and are not adjusted for multiple job holders. Data are thus not directly comparable to total employment data given elsewhere in this publication.
(2) Excludes 100 or more workers involved in labor management disputes.
Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics.

EXHIBIT 3

COMPARATIVE NONAGRICULTURAL EMPLOYMENT, 1987

	Oregon			U.S.(3)		
	Employment * (In Thousands)	Percent of Total Manufacturing Employment	Percent of Total Nonagricultural Employment	Employment (In Thousands)	Percent of Total Manufacturing Employment	Percent of Total Nonagricultural Employment
Manufacturing	204.9	100.0	18.7	19,112	100.0	18.7
Durable	148.1	72.3	13.5	11,235	58.8	11.0
Lumber and Wood	67.4	32.9	6.2	739	3.8	0.7
Furniture and Fixtures	2.5	1.2	0.2	513	2.7	0.5
Stone, Clay and Glass	3.4	1.7	0.3	585	3.1	0.6
Metals	19.5	9.5	1.8	2,179	11.4	2.1
High Technology(1)	41.0	20.0	3.8	4,835	25.3	4.8
Transportation Equipment	11.1	5.4	1.0	2,015	10.5	2.0
Miscellaneous Manufacturing	3.1	1.5	0.3	369	1.9	0.4
Nondurable	6.8	27.7	5.2	7,876 *	41.2	7.7
Food	23.8	11.6	2.2	1,635	8.6	1.6
Textiles and Apparel	4.3	2.1	0.4	1,844	9.6	1.8
Paper	9.2	4.5	0.8	679	3.6	0.7
Printing and Publishing	12.7	6.2	1.2	1,501	7.8	1.5
Chemicals	2.1	1.0	0.2	1,027	5.4	1.0
Miscellaneous(2)	4.8	2.3	0.4	1,134	5.9	1.1
Construction	34.5	—	3.2	5,032	—	4.9
Mining	1.4	—	0.1	742	—	0.7
Transportation, Communication and Public Utilities	58.3	—	5.3	5,377	—	5.3
Wholesale and Retail Trade	276.3	—	25.3	24,056	—	23.6
Finance, Insurance and Real Estate	71.7	—	6.6	6,588	—	6.5
Services	242.4	—	22.2	24,136	—	23.6
Government	204.5	—	18.7	17,063	—	16.7
Federal	30.2	—	2.8	2,943	—	2.9
State and Local	174.4	—	15.9	14,121	—	13.8
TOTAL	1,094.0			102,105		

(1) High Technology includes SIC codes Machinery, Electrical Equipment and Supplies and Instruments.
(2) Miscellaneous includes SIC codes Petroleum Refining, Rubber and Leather.
* Total for Nondurable Manufacturing includes tobacco manufacturing.
(3) U.S. numbers are preliminary.
Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics.
Note: Columns may not add to 100% due to rounding.

Exhibit 4 lists manufacturing employers with 1,000 or more employes. About one-third of the firms are in the forest products industry.

EXHIBIT 4

STATE OF OREGON
MANUFACTURING EMPLOYERS
WITH 1,000 OR MORE EMPLOYES

Firm Name	Major Product	Employment (1)
Tektronix, Inc.	Electronic Design and Service Tools	10,930
Weyerhaeuser Co., Inc.	Softwood Lumber and Paperboard	4,040
Intel Corp.	Semiconductor Integrated Circuits	3,250
Roseburg Forest Products Co.	Plywood	3,000
Precision Castparts Corp.	Investment Castings	2,600
Hewlett-Packard Corp.	Calculators, Defibrillators & Systems	2,425
Crown-Zellerbach Corp.	Paper & Packaging Materials	2,235
Freightliner Corp.	Trucks	2,200
Willamette Industries	Plywood Sheathing, Particleboard & Kraft Paper	2,216
Georgia Pacific Corp.	Plywood, Paneling, Veneer, Studs & Chips	1,718
Lamb-Weston, Inc.	Frozen French Fries	1,450
Boeing of Portland	Airframe Structures	1,400
Floating Point Systems, Inc.	Computer Processing Units	1,400
Trus-Joist Corporation	Fabricated Trus-Joists	1,400
Smurfit Newsprint Corporation	Lumber, Particleboard, & Newsprint	1,356
Nike, Inc.	Nike Footwear	1,350
Bohemia, Inc.	Softwood Plywood	1,299
Teledyne Wah Chang	Zirconium Wrought Products	1,260
Pozzi Window Company	Insulated Glass Window	1,200
Medford Corporation	Plywood & Veneer	1,185
Oregonian Publishing Company	Newspaper	1,162
Southwest Forest Industries	Plywood-Douglas Fir	1,128
Omark Industries, Inc.	Saw Chains and Accessories	1,047
Electro Scientific Ind., Inc.	Computer Controlled Laser Trimmers	1,000
J R Simplot	Frozen Potatoes	1,000
Ore-Ida Foods, Inc.	Frozen Foods	1,000

(1) Employment figures were reported by the firms on a questionnaire asking for 1985 average employment or by a telephone request.

Source: (unpublished) Directory of Oregon Manufacturers 1987-88, Oregon Economic Development Department.

Durable Goods

Lumber and Wood Products

Forest products, still Oregon's major manufacturing industry, is affected by timber supply and economic conditions affecting the demand for housing nationwide. Employment in lumber and wood products between 1978 and 1987 showed short-term cyclical fluctuations due primarily to national economic trends rather than availability of timber. The nonagricultural wage and salary employment for lumber and wood products was 81,400 in 1978, peaked at 85,100 in August 1978 and bottomed out at 51,700 in January, 1982. In 1987, employment in the wood products industry averaged 67,400, an increase of 21.2 percent over 1982. Obstacles still remain to full recovery in this industry - primarily transportation costs to southern and eastern markets, and foreign competition. Many mills have automated and improved productivity significantly. Although employment in 1987 was 17 percent lower than 1979, timber harvest and lumber production exceeded 1979 levels.

The state estimates that 49 percent of Oregon is forested. Oregon has over 24.2 million acres of commercial forest land and has ranked first among the states in sales of all forest products since 1938.

Primary and Fabricated Metals

Employment in primary and fabricated metals stood at 19,500 in 1987, 21 percent lower than the 1979 peak of 24,800. Growth in this industry is dependent upon increasing domestic and foreign needs for metal products. Metals industry production requires substantial amounts of energy and will continue to be affected by energy costs and supply.

High Technology

High technology has been one of the fastest growing industry groups in the manufacturing sector in the past decade. The strong emergence of high technology industries has broadened the state's industrial base, which in turn strengthened Oregon's resistance to the national economic downturn. Employment in electrical equipment and supplies increased from 6,100 in 1978 to 13,400 in 1987, an increase of 120 percent. Instruments and related products employment decreased by 29 percent from 17,100 to 12,100 in 1987, and employment in machinery manufacturing increased from 15,400 to 15,500. High technology employment showed major gains from 1972 to 1980, when employment peaked. In recent years, these industries have had employment declines which mirror the national situation. Oregon's largest employer, Tektronix, Inc., is in this industry, primarily manufacturing electrical measuring instruments and test equipment.

Transportation Equipment

Nearly one-sixth of the employes involved in manufacturing transportation equipment in Oregon work for motor home and travel trailer companies. Other significant areas of employment are builders of truck and bus bodies, railroad cars and aircraft parts. After several years of decline during the recession, this sector has expanded by 56 percent since 1983 to reach 11,100 in 1987.

Nondurable Goods

Food and Kindred Products

Food and kindred products employment increased from 24,400 in 1978 to a high of 25,200 in 1979, an increase of 3.3 percent.

Since 1979, employment has been relatively stable at about 24,000. Food products as a proportion of total manufacturing employment was about 12 percent in 1987.

Although few job openings are expected on an average annual basis, significant numbers of short-term openings (i.e., less than three months) are available during the Summer and Fall because of the seasonal increase in employment brought about by agricultural harvesting activities.

Paper and Allied Products

In 1980, Oregon employed 10,400 workers in the paper and allied products industry. Employment dropped to 9,000 by 1984 where it remained through 1987.

Favored by growing domestic and foreign markets, the long-term outlook for the paper industry nationally is promising. The firms in Oregon producing paper products have demonstrated less sensitivity to cyclical economic trends than the lumber and plywood companies. Demand for paper and paper products remains fairly strong in both the national and international markets.

Printing and Publishing

Employment in the publishing and printing industry increased from 9,500 to 12,700 between 1978 and 1987, a gain of 34 percent. This 1987 total represents, for the fifth year in a row, a new all-time high.

Nonmanufacturing Employment Trends

Nonmanufacturing contains a wide variety of industries which accounted for 78.3 percent of nonagricultural wage and salary employment in Oregon in 1978, and rose to 81.3 percent in 1987. The number employed in this sector increased from 790,800 in 1978 to 829,500 in 1980 and in 1987 stood at 889,100. Nearly one-third of all nonmanufacturing employes are in wholesale and retail trade.

Exhibit 5 charts the growth of nonmanufacturing and trade employment between 1978 and 1987. Exhibit 6 compares Oregon and U.S. nonagricultural wage and salary employment for the period 1978 to 1987.

Contract Construction

Long-range employment requirements in contract construction are difficult to project because of the types of variables which affect construction activity. Examples of these variables are the national economy, interest rates, and housing demand.

Employment in this sector grew from 48,800 in 1978 to a high of 53,000 in 1979. Hit hard by recession, construction employment declined to 27,000 by 1983. Since then, construction employment has risen gradually to 34,500 in 1987, reflecting a rebound in residential building and lower interest rates.

Transportation, Communications and Public Utilities

Employment in transportation, communication, and public utilities rose from 56,900 to 58,300 from 1978 to 1987, an increase of 2.5 percent. In 1987 this group comprised 6.6 percent of nonmanufacturing employment.

EXHIBIT 5

STATE OF OREGON
NONMANUFACTURING EMPLOYMENT TRENDS
1978-1987

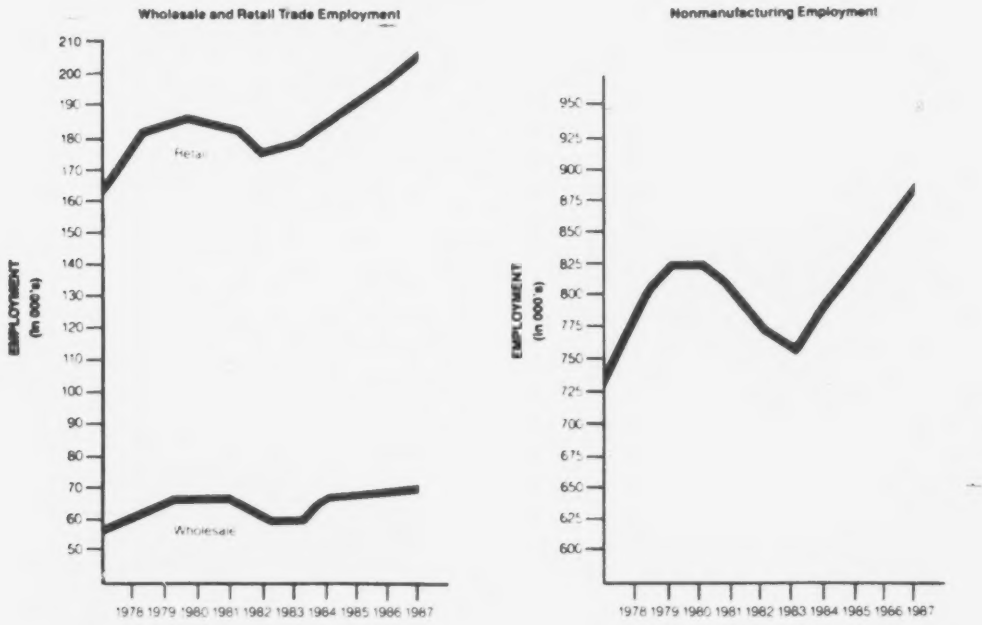

Wholesale and Retail Trade Employment
EMPLOYMENT (In 000's)
Retail
Wholesale
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987
Nonmanufacturing Employment
EMPLOYMENT (In 000's)
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987

EXHIBIT 6

COMPARATIVE INDEXED NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

	Oregon Data (000)		National Data (000)	
Year	Annual Average	Index (1)	Annual Average	Index (1)
1977	936.9	100.0	82,471	100.0
1978	1,009.4	107.7	86,697	105.1
1979	1,056.2	112.7	89,823	108.9
1980	1,044.6	111.5	90,406	109.6
1981	1,018.4	108.8	91,156	110.5
1982	960.8	102.6	89,566	108.6
1983	966.7	103.2	90,196	109.4
1984	1,006.9	107.5	94,461	114.5
1985	1,030.0	109.9	97,690	118.5
1986	1,058.5	113.0	100,193	121.5
1987	1,094.0	116.8	109,232	132.4

(1) The index is based on the 1977 annual average. Using 100 as the base, the index is determined by dividing the annual average for the current period by the annual average for 1977.
Source: Oregon Department of Human Resources, Employment Division.

Wholesale and Retail Trade

The trade industries grew by 12.5 percent between 1978 and 1987. Employment rose to 276,300 in 1987, up from 245,600 in 1978 and up by 3.4 percent in the past year alone. During this decade, employment in retail trade rose at a more rapid rate than wholesale trade (13.6 percent to 7.8 percent). All trade represented 31 percent of nonmanufacturing employment in 1987 and 25.3 percent of all nonagricultural wage and salary employment. Retail food stores employment has been strong in recent years, increasing 43.4 percent from 23,500 in 1979 to 33,700 in 1987.

Finance, Insurance and Real Estate

Growth in this area was significant between 1972 and 1980. Industry employment peaked at 70,000 in 1980 before falling to 64,500 in 1983. The increase in employment in this sector between 1978 and 1987 was 11.7 percent. The 1980-83 decline can be attributed, in part, to closure of recession weakened real estate offices and mergers of financial institutions. Since 1983, Finance, insurance and real estate rose 11.2 percent to 71,700 in 1987.

Services

Service employment grew from 175,500 in 1978 to 242,400 in 1987, an increase of 38.1 percent. This area comprises 27.3 percent of nonmanufacturing employment.

Growth in employment in this industry group results primarily from increases in population, disposable income and growing demand for personal, business, medical and protective services. Gains have also been made in private education and amusements. Employment in health services showed a 25 percent increase from 1979 employment of 59,600 to 1987 employment of 74,700.

Government

Most government employment in the state is with state and local governments. The federal government employed 30,200 persons in Oregon in 1987, an increase of 3.8 percent above 1978 levels, but below peak employment of 30,800 in 1980.

State employment also reached its highest level in 1987 at 56,900 a 4.2 percent increase over 1986. The state's employment change over the 1978-87 period was up by 6.2 percent. Local employment remained steady rising from 116,000 in 1986 to 117,500 in 1987 - an increase of 1.3 percent. The 1979 Legislative Assembly enacted a law limiting state government employment to not more than 1.6 percent of the state's official population. Certain employe groups, however, are exempt from this limitation.

Exhibit 7 summarizes employment and unemployment data as compared to the United States for 1970 through April 1988.

Economic Characteristics

Agriculture

Agriculture is Oregon's second largest industry, with gross farm sales of over $2 billion in 1987. Oregon's highly diversified agricultural base reported 84 commodities with sales of $1 million or more in 1987. Of this number, 34 reported gross sales of $10 million or more. This diversity is facilitated by the state's varied topography, rich soil and moderate climate.

Oregon agriculture continues to follow the national trend of increasing capital intensity. Agricultural employment has been decreasing as constant dollar output has increased. Although every county in the state is involved in agricultural production, activity is concentrated in the fertile Willamette Valley. Recent agricultural expansion has been the result of more efficient methods and increased use of irrigation.

The top ten cash commodities for 1987 were: cattle and calves, $357.7 million; dairy, $178.6 million; wheat, $145.7 million; nursery crops, $144.6 million; potatoes, $84.9 million; alfalfa hay, $51.4 million; farm forest products, $104.1 million; pears, $40.4 million; Christmas trees, $48.3 million, and perennial Rye grass seed, $37.2 million. A description of farm cash receipts by general commodity group since 1982 is provided in Exhibit 8.

Housing

Oregon's new housing activity varied substantially more during the late seventies and early eighties than did new housing activity nationwide. From 1975 to 1978, national housing starts increased from 1.3 million to 2.0 million, an increase of about 55 percent. During the same period, the number of units in Oregon authorized by building permits expanded from 20,144 to 38,217, an increase of 90 percent. From 1979 to 1982, national housing starts dropped from 1.7 million to 1.1 million, a 55 percent decrease. During the same period the number of units in Oregon authorized by building permits went from 27,588 to 7,351. The 1982 figures were only 27 percent of the 1979 numbers. Since 1982, the upward trend in Oregon's new residential building activity has been much closer to the national trend.

During the late seventies, the upturn in Oregon's economy plus the large differences between conventional interest rates and the rates on loans provided by the Oregon Department of Veterans' Affairs made DVA Oregon's largest lender. By mid-1980, the difference between conventional interest rates and DVA's rates had largely disappeared, so that DVA became a much smaller factor in the state's housing

EXHIBIT 7

COMPARATIVE EMPLOYMENT AND UNEMPLOYMENT RATES*
(ANNUAL AVERAGES, IN THOUSANDS)

Date	Civilian Labor Force		Unemployed		Unemployed Rate %		Oregon Rate as % of U.S. Rate
	OR	U.S.	OR	U.S.	OR	U.S.	
1970	865	82,771	62	4,093	7.1	4.9	144.9
1971	903	84,382	68	5,016	7.6	5.9	128.8
1972	959	87,034	66	4,882	6.8	5.6	121.4
1973	1,001	89,429	62	4,365	6.2	4.9	126.5
1974	1,015	91,949	76	5,156	7.5	5.6	133.9
1975	1,039	93,775	110	7,929	10.6	8.5	124.7
1976	1,068	96,158	102	7,406	9.6	7.7	124.7
1977	1,130	99,009	83	6,991	7.3	7.1	102.8
1978	1,196	102,251	72	6,202	6.0	6.1	98.4
1979	1,217	104,962	83	6,137	6.8	5.8	117.2
1980	1,295	106,940	107	7,637	8.3	7.1	116.9
1981	1,337	108,670	132	8,273	9.9	7.6	130.3
1982	1,324	110,204	153	10,678	11.5	9.7	118.6
1983	1,341	111,550	145	10,717	10.8	9.6	112.5
1984	1,335	113,544	125	8,539	9.4	7.5	125.3
1985	1,316	115,461	116	8,312	8.8	7.2	122.2
1986	1,360	117,834	115	8,237	8.5	7.0	121.4
1987	1,388	119,865	86	7,425	6.2	6.2	100.0
January 1988	1,421	121,175	85	7,046	6.0	5.8	103.4
February	1,434	121,348	88	6,938	6.1	5.7	107.0
March	1,437	120,903	85	6,801	5.9	5.6	105.4
April(1)	1,435	121,323	84	6,610	5.9	5.4	109.3

(1) Preliminary Data
* Monthly data are seasonally adjusted and are subject to revision.
Source: State of Oregon, Department of Human Resources, Employment Division.

EXHIBIT 8

OREGON GROSS FARM SALES

Commodity	Value (Millions of Dollars)						1987% of Total Value
	1982	1983	1984	1985	1986	1987	
All Crops	$1,076.5	$1,151.5	$1,178.2	$1,211.4	$1,267.0	$1,309.5	65.0
Grains	294.2	299.2	288.1	246.4	182.7	191.2	9.5
Hay and Silage	69.4	80.9	79.4	84.6	81.2	69.0	3.4
Grass and Legume Seeds	101.0	105.1	95.2	122.2	143.6	170.2	8.5
Field Crops	145.4	169.3	180.3	165.0	169.3	175.1	8.7
Tree Fruits and Nuts	98.2	89.5	86.1	119.6	108.0	119.3	5.9
Small Fruits and Berries	47.8	52.7	44.4	51.0	72.5	67.4	3.3
All Vegetable Crops	118.2	125.6	144.4	136.0	183.6	157.3	7.8
Specialty Products	202.2	229.0	260.4	286.5	326.1	360.0	17.9
All Livestock and Poultry	657.0	579.2	639.8	628.8	661.4	704.2	35.0
Cattle and Calves	354.3	275.0	320.0	305.0	330.0	357.7	17.8
Dairy Products	178.5	188.0	179.4	184.9	183.2	178.7	8.9
Eggs and Poultry	63.1	57.8	62.3	61.8	65.2	71.2	3.5
Miscellaneous Animals	61.1	58.4	78.1	77.0	83.0	96.6	4.8
Total All Sales	**$1,735.5**	**$1,730.7**	**$1,818.0**	**$1,840.2**	**$1,928.4**	**$2,013.8**	

Source: Oregon State University, Extension Economic Information Office.

market. By 1986, data indicated that DVA garnered less than 5 percent of Oregon's housing sales. 1987 figures show improved activity in both single and multi-family housing.

Exhibit 9 summarizes the annual totals for building permit activity since 1981.

EXHIBIT 9

OREGON BUILDING PERMITS (1)

Year	Single-Family Dwellings	Percent Change	Multi-Family Dwellings	Percent Change
1977	25,986	+26.7	13,506	+26.4
1978	25,316	−2.6	12,901	−4.5
1979	17,426	−31.2	10,162	−21.2
1980	13,525	−22.4	5,651	−44.4
1981	8,016	−40.7	4,102	−27.4
1982	4,881	−39.1	2,470	−39.8
1983	6,759	+38.5	1,634	−33.8
1984	6,244	−7.6	1,940	+18.7
1985	6,559	+5.0	5,001	+257.8
1986	7,262	+10.7	3,661	−26.8
1987	8,130	+12.0	4,573	+24.9

Source: State of Oregon Housing Division

(1) Beginning in 1983, data reflect an adjustment for nonreported building activity. This adjustment factor is approximately 3%.

Population

Oregon's July 1, 1987, population was determined to be 2,690,000 by Portland State University's Center for Population Research and Census, the state's official bureau for population data. Since 1960, the state's population has increased by over 50 percent.

Based on percent change (25.9 percent from April 1, 1970, to April 1, 1980), Oregon ranked thirteenth among the states in rate of population growth during the last decade. In 1977 and 1978, Oregon recorded population increases of more than three times the national average. In 1981 this trend was reversed as Oregon grew by only 0.78 percent compared to the national rate of 1.00 percent. From July 1, 1981, to July 1, 1983, the state's population dropped .97 percent, with net outmigration of 64,589. Oregon's population has fluctuated up and down during the present decade before settling in 1986 at .81 percent greater than the 1980 census amount. Compared to the 1980 census, 1987 population has grown 1.9 percent.

There are four major urban population areas in Oregon. The City of Portland, located in Multnomah County, is the state's largest city with a population of 398,160 as of July 1, 1986. The Oregon portion of the Portland Consolidated Metropolitan Statistical Area (CMSA), which is comprised of Clackamas, Multnomah, Washington, and Yamhill counties had a population of 1,144,800 at that time (not included in that figure is Clark County, Washington, which is a part of the CMSA).

The second largest urban center is the Eugene metropolitan area located in Lane County at the southern end of the Willamette Valley. Eugene had a population of 106,480 as of July 1, 1986. The Eugene-Springfield MSA had a population of 261,650 on that date. Salem, the state's third largest city, had a population of 93,300 on July 1, 1986 (MSA: 254,800). Salem, situated in the heart of the Willamette Valley, is the State Capital. The City of Medford, and Jackson County, were designated as a new MSA as a result of the 1980 Census. The population of the Medford MSA as of July 1, 1986 was 138,400.

As can be seen from this description of population distribution, most of the state's residents are located in the Willamette Valley. Approximately 70 percent of Oregon's population reside in this valley.

Exhibit 10 presents comparative population information for Oregon and the United States between 1940 and 1987.

EXHIBIT 10

COMPARATIVE POPULATION GROWTH
OREGON AND UNITED STATES, 1940—1987
(As of July 1)

Year	Oregon	% Change	United States	% Change
1940	1,090,000	—	132,165,000	—
1950	1,521,000	39.54	151,326,000	14.50
1960	1,769,000	16.31	179,323,000	18.50
1970	2,091,500	18.23	203,984,000	13.75
1980	2,639,915	26.22	227,738,000	11.64
1981	2,660,735	0.78	230,019,000	1.00
1982	2,656,185	−0.17	232,309,000	0.99
1983	2,635,000	−0.80	234,496,000	0.94
1984	2,660,000	0.95	236,634,000	0.91
1985	2,675,800	1.52	239,283,000	1.12
1986	2,661,500	−0.53	241,077,000	0.75
1987	2,690,000	1.07	—	—

Sources: 1940—1960 — State of Oregon, Department of Human Resources, Employment Division, Research and Statistics.
1970—1987 — Center for Population Research, Portland State University (estimates are as of July 1 of year shown.)

Personal Income

Per capita personal income as a percentage of the national average rose steadily in the last decade from 96 percent in 1970 to 102 percent in 1979. The average increase in per capita income in Oregon for 1970 through 1980 was 9.8 percent compared with 9.4 percent for the United States. In recent years the rate of growth of per capita income in Oregon has slowed to slightly less than the national average.

Exhibit 11 shows per capita personal income since 1960 for Oregon, the United States and four of Oregon's Metropolitan Statistical Areas, Portland, Eugene, Salem and Medford.

Exhibit 12 shows total personal income, rates of change, and comparisons to the United States for the period from 1970 to 1986.

Consumer Price Index

Between 1972 and 1979, inflation in the Portland SMSA increased more rapidly than in the nation as a whole. Beginning in 1980, inflation in Portland slowed to an annual average rate less than the nation's rate of inflation. In 1985, the Portland rate (3.8 percent) again exceeded the national rate (3.6 percent). Exhibit 13 shows the change in CPI since 1970 for the Portland SMSA and the United States.

EXHIBIT 11

COMPARATIVE PER CAPITA INCOME
1970-1986
(Current Dollars)

	Portland PMSA	Eugene PMSA	Salem PMSA	Medford PMSA	Oregon	Percent Change	U.S.	Percent Change	Oregon As Percent of U.S.
1970	$4,241	$3,278	$3,427	$3,156	$3,889	6.6	$4,051	6.4	96
1971	4,503	3,549	3,647	3,458	4,149	6.7	4,296	6.1	97
1972	4,889	3,932	3,984	3,865	4,558	9.9	4,665	8.6	98
1973	5,395	4,401	4,591	4,190	5,066	11.2	5,182	11.1	98
1974	5,993	4,759	5,004	4,558	5,619	10.9	5,648	9.0	99
1975	6,475	5,128	5,345	4,904	6,053	7.7	6,073	7.5	100
1976	7,185	5,847	5,981	5,452	6,768	11.8	6,651	9.5	102
1977	7,894	6,640	6,546	6,047	7,412	9.5	7,294	9.7	102
1978	8,872	7,388	7,205	6,874	8,296	11.9	8,136	11.5	102
1979	9,861	6,089	7,969	7,570	9,174	10.6	9,033	11.0	102
1980	10,701	8,415	8,570	8,206	9,864	7.5	9,919	9.8	99
1981	11,458	8,959	9,174	8,652	10,446	5.9	10,949	10.4	95
1982	11,688	9,075	9,527	8,805	10,594	1.4	11,481	4.9	92
1983	12,237	9,670	9,987	9,571	11,271	6.4	12,098	5.4	93
1984	13,247	10,565	10,838	10,468	12,048	6.9	13,114	8.4	92
1985	NA	NA	NA	NA	12,687	5.3	13,907	6.1	91
1986	NA	NA	NA	NA	13,328	5.1	14,641	5.3	91

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System.
Note: Oregon and US values are based on the recently revised National Income and Products Accounts definitions, while the MSA data are based on the old definitions.
NA: Not applicable.

EXHIBIT 12

COMPARATIVE PERSONAL INCOME
1970-1986
(Millions of Current Dollars)

Year	Oregon	Percent Change	U.S.	Percent Change	Oregon as % of Total
1970	$8,169	8.6	$831,800	8.5	0.98
1971	8,920	9.2	894,050	7.5	1.00
1972	10,007	12.2	981,575	9.8	1.02
1973	11,319	13.1	1,101,700	12.2	1.03
1974	12,816	13.2	1,210,150	9.8	1.07
1975	14,071	9.8	1,313,375	8.5	1.08
1976	16,056	14.1	1,451,375	10.5	1.11
1977	18,082	12.6	1,607,475	10.8	1.12
1978	20,820	15.1	1,812,400	12.7	1.15
1979	23,654	13.6	1,033,975	12.2	1.16
1980	26,056	10.2	2,258,525	11.0	1.15
1981	27,885	7.0	2,520,925	11.6	1.11
1982	28,276	1.4	2,670,750	5.9	1.06
1983	29,984	6.0	2,838,575	6.3	1.06
1984	32,247	7.5	3,108,750	9.5	1.04
1985	34,076	5.7	3,327,050	7.0	1.02
1986	35,955	5.5	3,534,300	6.2	1.02

Source: U.S. Department of Commerce, Bureau of Economic Anlaysis, Regional Economic Information System.

EXHIBIT 13

CONSUMER PRIZE INDEX* FOR OREGON AND U.S.
(Annual Averages)
1970-1987

	Portland SMSA		United States	
Year	CPI	Percent Change	CPI	Percent Change
1970	113.2	NA	116.3	NA
1971	116.1	2.6	121.3	4.3
1972	119.5	2.9	125.3	3.3
1973	127.3	6.5	133.1	6.2
1974	142.8	12.2	147.7	11.0
1975	156.5	9.6	161.2	9.1
1976	167.0	6.7	170.5	5.8
1977	180.2	7.9	181.5	6.5
1978	198.4	10.1	195.4	7.7
1979	225.4	13.6	217.4	11.3
1980	255.4	13.3	246.8	13.5
1981	278.2	8.9	272.4	10.4
1982	287.0	3.2	289.1	6.1
1983	290.1	1.1	298.4	3.2
1984	301.0	3.8	311.1	4.3
1985	312.4	3.8	322.2	3.6
1986	316.8	1.4	328.4	1.9
1987	324.7	2.5	340.4	3.7

* The Consumer Price Index is computed using 1967 = 100 as base year. All urban consumers.
Source: U.S. Bureau of Labor Statistics.
N.A.: Not applicable.

Energy

State Energy Policy

Historically, the Pacific Northwest energy picture has been dominated by the availability of plentiful, low-cost hydroelectric power. Although electricity is still less expensive in Oregon than in many areas of the country, the last major hydro generating plant on the Columbia River was completed in 1975. National shortages and dependence on imported oil, rapid population growth and increasing energy consumption in the state over the 1970's, and the lack of a comprehensive federal energy program contributed to the state's decision to formulate and implement its own energy policy.

The 1975 Legislature set the framework for Oregon's energy planning with the creation of the Oregon Department of Energy (ODOE), which has the responsibility for implementing and managing the state's energy policy. The policy states:

> Continued growth and demand for non-renewable energy forms poses a serious and immediate, as well as future, problem. It is essential that future generations not be left a legacy of vanished or depleted resources, resulting in massive environmental, social, and financial impact.
>
> It is the goal of Oregon to promote the efficient use of energy resources and to develop permanently sustainable energy resources.

The Department of Energy has responsibility for energy conservation, renewable resources, energy planning, long-range supply and demand forecasting, energy facility siting, and regulation and monitoring. The 1983 Legislature also directed ODOE to prepare a State Energy Plan every two years.

Oregon's Energy Facility Siting Council has jurisdiction over major energy facilities in Oregon. A Need-for-Power plan was developed in 1981 and again in 1983 to reflect new programs and policies adopted by the Legislature and instituted under the Regional Power Act.

On January 1, 1987, ODOE published the State's Second Biennial Energy Plan. The State Energy Plan sets forth actions, programs and resources to meet Oregon's long-term energy needs consistent with the State's energy policy. This plan is consistent with the Northwest Power Planning Council's regional plan and the Need-for-Power standard set by the Energy Facility Siting Council.

The plan includes actions that ODOE intends to take. It also recommends action by the Legislature, local governments and other state and federal agencies.

Regional Energy Policy

In November 1980, Congress passed the Pacific Northwest Electric Power Planning and Conservation Act. The bill establishes a mechanism for planning and financing new energy resources on a regional basis. Substantial funding is provided under the bill to promote conservation and renewable resources throughout the region.

The Act established a Regional Planning Council to develop a regional conservation and electric power supply plan by April, 1983. The eight member council comprises representatives of Idaho, Montana, Oregon, and Washington. The Regional Power Act stresses conservation, renewable resources, and cogeneration. The Act directed the Council to complete a program aimed at protecting and enhancing the fish and wildlife along the Columbia River System and increasing water flows to carry the fish down the Columbia to the Pacific Ocean. The Council adopted a 20 year plan on January 23, 1986.

Energy Use

Energy is a large part of Oregon's economy. In 1985, more than $4 billion was spent on oil, electricity, natural gas, and other energy forms.

Business is the state's biggest energy user. In 1983, business accounted for 41 percent of total energy use. Paper plants and lumber mills are the major users. They accounted for more than one-quarter of the state's total energy use.

In 1983, more than one-third of the total energy used was by households. They use energy to heat space, to heat water, and to run an array of appliances. These in-home uses accounted for 16 percent of total energy use. Another 18 percent was used by households to fuel cars and trucks.

Transporting goods by air, ship, truck, and rail accounted for 20 percent of total energy use. Added to household car and truck use, transportation amounted to almost 40 percent of total use.

The rest, 5 percent, was used by farms, government, schools, and mining and construction firms.

Nearly half of the energy used in 1983 came from petroleum products: gasoline, distillate and residual oil, LPG, kerosene, and other oil products. Electricity accounted for 19 percent of total energy use. About 18 percent was supplied by lumber mill waste, other forest residue, and wood cut for home heating. Ten percent came from natural gas. Table A shows the energy sources and the share of total energy use each provided.

TABLE A
1983 ENERGY USE BY SOURCE

		Use (trillion Btu)	Percent of Total
Petroleum		285	46
Gasoline	150		
Distillate & Residual	120		
Other Products	15		
Electricity		120	19
Wood		112	18
Natural Gas		65	10
Spent Pulping Liquor		38	1
Other		5	—
Total		625	100

Existing Energy Resources

Electricity, petroleum, natural gas, and biomass have been the state's main energy sources. In the mid-1980's, renewables other than hydro and biomass joined the market. And, conservation became an energy source. Each will help meet our needs.

Electricity

The state has a mix of electricity sources. We are part of a large power system in the region. Some of the power we produce is sold to other states. And, power from other states is used here.

Resources Within The State

The state has a total peak capacity of 7,693 megawatts (MW). It has firm generation of 3,683 average megawatts (AMW) from utility resources. (An AMW is the power from one megawatt of capacity over one year.) Industry sells about 53 AMW to utilities. Industry produces and uses 100 AMW.

Hydro is the largest source with 2,390 AMW. About 1,500 AMW are from the four Columbia River dams run by the U.S. Army Corps of Engineers. More than 225 AMW are from the Snake River dams owned by Idaho Power.

The rest of the hydro resources are projects on the major state rivers. The U.S. Government owns 171 AMW of these. Of the rest, Portland General Electric owns 213 AMW; Pacific Power and Light owns 238 AMW; and Eugene Water and Electric Board (EWEB) owns 43 AMW.

Trojan is the only nuclear power plant in the state. It has a peak capacity of 1,080 MW and 750 AMW of firm energy. It is run by Portland General Electric, which owns 67.5 percent of the plant. Bonneville Power Administration controls 30 percent. Pacific Power and Light owns the rest.

Boardman is the only local coal plant in the state. It has a peak capacity of 530 MW and 370 AMW of firm energy. Portland General Electric owns 66 percent of the plant. Idaho Power, and a group of electric co-ops each own 10 percent. San Diego Gas & Electric owns 14 percent.

The rest of the state's power resources are combustion turbines.

Resources Outside The State

The two largest utilities in the State, Pacific Power and Light and Portland General Electric, own power plants outside the state. Most are coal plants.

Pacific Power and Light owns about 2,500 AMW of coal plants. Most of this output is from the Jim Bridger, Dave Johnston and Wyodak plants in Wyoming. The rest is from Colstrip 3 & 4 in Montana and Centralia in Washington. More than half of the output of these plants is used in Oregon.

Pacific Power and Light also owns three dams on the Lewis River in Washington. The dams have a total of 172 AMW. The company also owns small hydro projects in Washington and California.

Portland General Electric has only a small part of its resources outside the state. This is 176 AMW in the Colstrip 3 and 4 projects and 22 AMW in the two Centralia units.

Idaho Power Co. and CP National, provide less than three percent of Oregon's power. All their resources are outside the state.

The state has 35 public utilities. Only EWEB and Ashland own generation facilities. Pacific Northwest Generating Company owns 10 percent of the Boardman coal plant.

The rest of the public's load is met by Bonneville Power Administration. A group of large industries buys power directly from Bonneville Power Administration.

Bonneville Power Administration provides about 35 percent of Oregon's power. Bonneville Power Administration's system is mostly hydro. Bonneville Power Administration also controls thermal resources. Of these, the Washington Nuclear Project 2 nuclear plant is the largest. Bonneville Power Administration also controls 30 percent of Trojan and 60 percent of the power from the N-Reactor at Hanford.

If or when they are ever built, WNP 1 and 3 would provide power for Oregon. WNP 1 and WNP 3 are 74 percent and 65 percent complete. Construction has been halted. ODOE doubts that either will ever be online. Bonneville Power Administration controls both plants. Pacific Power and Light and Portland General Electric gave up control of their 20 percent of WNP 3 to Bonneville Power Administration.

Oregon's largest private utilities also buy power from other utilities. The contracts vary in term, amount, delivery timing, and price. The largest are long-term contracts that both Pacific Power and Light and Portland General Electric have with some Washington Public Utility Districts. Portland General Electric's contract is for more than 300 AMW of firm power. Pacific Power and Light's is for about 200 AMW. The power comes from dams on the middle Columbia.

Other contracts include Portland General Electric's and Pacific Power and Light contracts for power from the N-reactor at Hanford. Both also, have contracts with the Columbia Storage Power Exchange (CSPE).

Fossil Fuels

Except for recent finds of natural gas, Oregon has no known fossil fuel reserves. Oil products, natural gas, and some coal account for the lion's share of the state's energy use. The state must import almost all of each fuel.

Oil

Oregon imports all of its refined oil products. Most come from Puget Sound refineries by pipeline.

Some of the oil products come from Salt-Lake City by pipeline. The rest come from California by tankers, trucks, and rail.

Natural Gas

Most of Oregon's natural gas comes from British Columbia under long-term contracts. In 1985 this was 59 percent of supply. Most of the rest - 37 percent in 1985 - comes from the Rocky Mountains and the Southwest states.

In 1980, the first production of any type of fossil fuel in Oregon began. This was from wells near Mist owned by Northwest Natural Gas and two other firms. In 1985 these wells produced about 5 percent of natural gas used in the state.

Coal

Little coal is used in the state other than for fueling the Boardman power plant. Most of the coal is used by a sugar refining plant and a cement firm. Total coal use in 1983 was 167,000 tons. A small amount of coal is used to heat the homes. One hospital uses coal for space and water heating.

All of the coal comes from Wyoming and Montana.

Renewable Resources

Renewables as always have been a major part of Oregon's energy supply. Hydro has been the backbone of the state's power system. Wood and mill residues heat homes and fuel industry.

The energy crisis of the 1970's brought other renewables to the fore. The shortage sparked new interest in solar access and solar water heating, wind, and geothermal energy. Households, businesses, governments, and utilities got involved. Incentives helped to turn interest to action. We have made progress in each resource.

Solar

About 13,000 solar systems have been installed in Oregon since 1978. Ninety percent are solar water heaters. Most of the rest are passive space heating systems. The total savings of these solar systems is equal to the annual needs of more than 1,500 all-electric homes. There are more than 100 small photovoltaic systems at remote sites. More than 20 local governments have adopted solar access ordinances.

Geothermal

Geothermal provides more than 325 billion Btus of energy in Oregon. This is equal to the yearly needs of more than 1,500 all-electric homes. Most geothermal is for space heating. Some is used in food processing. Exploratory drilling for high temperature resources continues in the Cascade. A recent study concludes that Oregon has the best resources in the region.

Wind

There are 30 wind projects in the state. All but one are for household use. Oregon's only wind farm is at Whiskey Run in Coos County. The wind farm has 25 turbines and 1.25 MW capacity. Oregon State University is conducting two research projects on the farm. Bonneville Power Administration's studies for Cape Blanco and the region have been completed.

Cogeneration

Oregon has 35 cogeneration plants. Total capacity is about 320 MW. Nearly all are in the forest products industry. Six of these plants (70 MW) were built since 1984. Twelve are older plants (45 MW) that are now out of service because of low rates or mill closures. Most could be restarted. Two or three projects will be built in the next two years. These projects have older power sales contracts with higher rates.

Biomass

Biomass supplies 83 percent of the energy used by Oregon's lumber and wood products firms. About 68 trillion Btus were used in the lumber and wood products industry. The state's pulp and paper industry gets 62 percent of its energy from biomass. In 1983, wood residues provided about 10 trillion Btus to Oregon's paper industry. In 1983, pulping liquors provided 38 trillion Btu. These uses of biomass add up to higher than what the residential sector used in 1983.

Wastewater and solid waste also provide energy. The 11 MW Marion County facility in Brooks burns garbage. Eight wastewater plants produce 380 billion Btus of biogas from fermented sludge. The biogas is used for heat, steam, and electricity. An old landfill near Oregon City now collects and sells 140 billion Btus per year of biogas. These biogas projects produce energy equal to the yearly needs of more than 7,500 all-electric homes.

Hydro

Hydro is the state's main source of electricity. The U.S. Government, utilities, and private businesses have built 132 hydro projects. These have total peak

capacity of more than 5,000 MW. Microhydro projects (100 KW or less) have a total capacity of about 1 MW. Hydro today is in a stormy time of regulatory change.

Conservation

Conserved energy took on a resource role after the 1973 crisis. Government and utilities saw conservation as the least costly option. Incentive and education programs started in the late 1970s to promote wise energy use.

Most of the programs of the 1970s are still with us. More have been added. These include stringent building codes, incentive programs for energy-efficient new homes, utility and state home weatherization programs, low-interest loan programs, business and residential tax credit programs, commercial audit programs, institutional building programs, and technical assistance programs.

Energy Forecasts

In its second Biennial Energy plan, the Oregon Department of Energy forecasted future energy needs for the state by a complex methodology using end-use analysis and econometric modeling. Forecasts include projections of population, employment, energy intensiveness of manufacturing, income, price, and consumption by sector.

Energy use is forecast to grow slowly over the next two decades. ODOE forecasts an average annual rate of growth in total energy use of 0.5 percent for 1987 through 2007. Total energy is the sum of electricity, natural gas, oil, and coal use and wood used for home heating. It also includes self-generated electricity in the lumber and paper industries, spent pulping liquor, and wood and other residue.

Electricity use is forecast to grow the most rapidly. Between 1987 and 2007, electricity use is projected to grow at an average rate of 1.2 percent per year. That is the same for growth rate as population. Use of fuels is projected to grow at 0.3 percent per year.

Use of energy for transportation - gasoline, jet fuel, and diesel for trucks, trains, and ships - remains the largest user. Use in the commercial sector grows at 1.1 percent per year. Although the sector with the fastest growth in use, it claims a small share of total use. Industrial energy use grows at an average 0.6 percent per year. Household use of energy grows at 0.4 percent. The agriculture and other sector use declines over time.

The residential sector is both the largest and fastest-growing user of electricity. Residential use is forecast to grow at an average yearly rate of 1.4 percent between 1987 and 2007. Commercial electricity use is forecast to grow an average 1.3 percent per year. Growth in industrial sector electricity use is expected to be 1.1 percent per year. Other electricity use, which includes electricity used for the irrigation and street and highway lights, declines slightly over the forecast time.

The Second Biennial Energy Plan of the Department of Energy is available from the State of Oregon, Department of Energy (503) 378-4040.

International Trade and Exports

Like other segments of Oregon's economy, geography and natural resources have played a role in the development of the state's international trade activities. The majority of the state's international trade occurs through the Port of Portland, where an efficient system for dealing with a large number of vessels has been developed, including modern grain elevators, cranes, break-bulk and containerized cargo facilities, and ship repair and drydock facilities. Other important ports are located at the coastal cities of Astoria, Newport and Coos Bay. The state has a total of twenty-three port districts - all located on navigable waterways.

The Port of Portland is one of the leading export ports on the West Coast. Grain, the principal export commodity, peaked with 1984's shipment of over 5 million tons (about $2.4 billion value) through the port. Motor vehicles by far are the leading import through the Oregon Customs District. In 1985, after 60 years of trade surpluses, the Oregon Customs District began experiencing a negative balance of trade, primarily because of reduced U.S. grain exports and increased importation of foreign automobiles.

The Oregon Customs District (which includes Astoria, Coos Bay, Newport and Portland, the Washington ports of Vancouver, Kalama and Longview and the Idaho port of Boise) had a substantial trade surplus throughout the last decade as both imports and exports grew significantly. The value of foreign exports from the Portland Customs District set an all-time record of $4.117 billion in 1984; however, subsequent years have seen a decline in exports and an increasingly negative balance of trade as has occurred on the national level. The chief export items through the District include wheat, barley, corn, alfalfa cubes, logs, lumber, paperboard, frozen potatoes, soaps/cleaners, soda ash, and sorghum. Chief imports, in addition to automobiles, include electrode pitch, footwear, gasoline, hardware, alumina, and wire.

Tourism

Oregon has many outstanding features which favor development of tourism. The state is well-known for protection of its clean environment and natural scenic beauty. Within state boundaries exist major mountain ranges, vast coastal and desert regions, and multi-use and wilderness forest areas. The state has over 400 miles of seacoast, 47,000 miles of streams, 1,400 lakes and reservoirs, 225 state parks and a national park. While summer is traditionally the peak vacation season, tourism contributes all year to the state's economy and is enhanced by a mild, comfortable climate throughout the year and a wide variety of available leisure activities.

Year-to-year comparisons of visitors counted at the State's border welcome centers are key measurements of out-of-state travel in Oregon. In 1986, the previous record for the number of visitors served at the centers (set in 1976) was surpassed before September had ended. The collective count of center visits soared 18 percent above comparable figures for the 1985 season. The Summer 1986 visitor's survey yielded a length-of-stay average of 5.1 days compared to the 5.9 days stay finding in a similar 1984 study. Travel in Oregon appears to have exceeded a nationwide increase in 1986 travel as estimated by the U.S. Travel Data Center in its 1985-86 National Travel Survey comparisons.

The overall impact of tourism on Oregon's economy is difficult to estimate. Tourism consists of segments of the retail trade, service and transportation industries. The availability and price of motor fuel usually affects the number of out-of-state visitors each year, but the impact of this variable is off-set somewhat by the number of Oregonians choosing to vacation in state.

By bringing in capital from outside the state, tourism has a significant impact on income and employment levels. According to U.S. Travel Data Center, Oregon tourism industry expenditures amounted to $2.6 billion in 1985; this level of spending represents a $1.0 billion increase over what out-of-state travelers spent in Oregon in 1983. Favorite spots for travelers are the Oregon Coast, the Portland/Columbia Gorge/Mt. Hood areas and southern Oregon.

Post Secondary Education

The Oregon State Board of Higher Education is the governing board for the Oregon State System of Higher Education. Approximately 61,759 students attend the eight institutions composing the system. Enrollment is projected to increase slightly over the next four years to 66,449 in 1990-91. The state operates four universities: the University of Oregon in Eugene, Oregon State University in Corvallis, Portland State University in downtown Portland and the Oregon Health Sciences University which consists of Medical, Dental and Nursing Schools located in Southwest Portland. Other state schools include Eastern Oregon State College, Western Oregon State College, the Oregon Institute of Technology and Southern Oregon State College.

In addition, there are twenty-eight independent degree-granting institutions, fifteen community colleges and community college service districts, and various proprietary vocational schools in the state.

In addition, there are twenty-eight independent degree-granting institutions, fifteen community colleges and community college service districts, and various proprietary vocational schools in the state.